THE COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

KPMG Professional Services
Riyadh Front, Airport Road
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Commercial Registration No 1010425494
Headquarters in Riyadh

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Valuation of ultimate claims liabilities arising from insurance contracts	
As at 31 December 2022, gross outstanding claims including incurred but not reported claims reserve (IBNR) amounted to SAR 5.2 billion as reported in note 11 of the consolidated financial statements.	• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claims estimate recorded.

INDEPENDENT AUDITORS' REPORT

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

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

Other Information

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

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance.of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of The Company for Cooperative Insurance ("the Company") and its subsidiaries ("the Group").

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

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

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Riyadh on 16 March 2023
Corresponding to: 24 Sha'ban 1444H

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Notes	**December 31, 2022**	December 31, 2021
		SAR'000	
ASSETS			
Statutory deposit	14	**125,000**	125,000
Accrued income on statutory deposit		**5,420**	3,050
Property, equipment and right-of-use assets, net	4	**255,565**	236,970
Intangible assets	5	**13,441**	16,627
Investment properties	6	**59,562**	60,850
Investments in equity accounted investments	7	**95,948**	89,556
Prepaid expenses and other assets	10	**767,968**	668,962
Mudaraba / murabaha deposits	9	**5,903,752**	3,780,598
Deferred excess of loss premiums		**7,088**	7,501
Deferred policy acquisition costs	11	**187,314**	127,951
Reinsurers' share of gross outstanding claims	11	**1,782,371**	1,762,324
Reinsurers' share of incurred but not reported claims	11	**392,894**	329,243
Reinsurers' share of gross unearned premiums	11	**1,097,750**	717,382
Available for sale investments	8	**1,058,341**	2,370,943
Receivables, net	13	**5,421,514**	3,222,001
Accrued investment income	28	**81,726**	11,029
Cash and cash equivalents	15	**1,659,343**	1,188,266
TOTAL ASSETS		**18,914,997**	14,718,253
LIABILITIES			
Return payable on statutory deposit		**5,420**	3,050
Defined benefits obligation	18	**125,297**	142,110
Zakat payable	20	**272,168**	415,023
Reserve for takaful activities		**2,861**	3,372
Incurred but not reported claims reserve	11	**2,400,908**	1,770,241
Gross outstanding claims	11	**2,826,056**	2,400,729
Premium deficiency reserve	11	**13,591**	30,277
Unearned commission income	11	**61,183**	42,289
Surplus distribution payable	16	**265,167**	258,163
Gross unearned premiums	11	**7,014,914**	5,031,265
Claims payable, accrued expenses and other liabilities	17	**1,591,463**	1,070,631
Reinsurers' balances payable		**962,225**	503,409
Dividends payable		**8,602**	8,630
TOTAL LIABILITIES		**15,549,855**	11,679,189
EQUITY			
Share capital	21	**1,250,000**	1,250,000
Statutory reserve	22	**1,250,000**	1,197,495
Fair value reserve for investments		**75,166**	152,513
Remeasurement of defined benefits obligation		**(7,674)**	(20,096)
Retained earnings		**797,650**	459,152
TOTAL EQUITY		**3,365,142**	3,039,064
TOTAL LIABILITIES AND EQUITY		**18,914,997**	14,718,253
CONTINGENT LIABILITIES	36		

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

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

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	2022	2021
		SAR'000	
REVENUES			
Gross premiums written	11	**14,349,620**	10,218,606
Reinsurance ceded – Local	11	**(36,939)**	(78,906)
Reinsurance ceded – International	11	**(2,106,570)**	(1,515,582)
Excess of loss premiums – Local		**(12,986)**	(13,176)
Excess of loss premiums – International		**(34,182)**	(7,543)
Fee income from takaful		**5,786**	4,466
Net premiums written		**12,164,729**	8,607,865
Changes in gross unearned premiums		**(1,983,649)**	(711,887)
Changes in reinsurers' share of gross unearned premiums		**380,368**	33,684
Net premiums earned		**10,561,448**	7,929,662
Reinsurance commissions	11	**136,464**	132,294
Other underwriting income		**11,867**	6,269
TOTAL REVENUES		**10,709,779**	8,068,225
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**8,107,508**	6,750,880
Expenses incurred related to claims		**229,074**	13,162
Reinsurers' share of claims paid		**(836,863)**	(347,397)
Net claims and other benefits paid	11	**7,499,719**	6,416,645
Changes in gross outstanding claims		**425,327**	(115,923)
Changes in reinsurance share of gross outstanding claims		**(20,047)**	200,246
Changes in incurred but not reported claims reserve		**630,667**	220,891
Changes in reinsurance share of incurred but not reported claims		**(63,651)**	(39,459)
Changes in premium deficiency reserve		**(16,686)**	(22,124)
Net claims and other benefits incurred		**8,455,329**	6,660,276
Changes in reserves for takaful activities		**(511)**	(172)
Policy acquisition costs	11	**495,742**	350,263
Other underwriting expenses		**251,269**	137,541
Insurance share distribution		**441,137**	62,861
TOTAL UNDERWRITING COSTS AND EXPENSES		**9,642,966**	7,210,769
Net underwriting income		**1,066,813**	857,456
OTHER OPERATING (EXPENSES) / INCOME			
General and administrative expenses	26	**(901,229)**	(746,268)
Allowance for doubtful debts	13	**(33,830)**	(39,891)
Investment income, net	24	**280,712**	284,185
Other income / (expenses), net	25	**87,617**	(1,616)
TOTAL OTHER OPERATING EXPENSES		**(566,730)**	(503,590)
Net operating income		**500,083**	353,866
Share of profit from investments in equity accounted investments, net	7	**23,769**	18,602
Net income for the year before attribution and zakat		**523,852**	372,468
Net income for the year attributed to the insurance operations		**(43,463)**	(22,330)
Net income for the year attributable to the shareholders before zakat		**480,389**	350,138
Zakat charge for the year	20	**(89,386)**	(83,578)
Net income for the year attributable to the shareholders after zakat		**391,003**	266,560
Earnings per share			
Basic and diluted earnings per share (in SAR)	27	**3.13**	2.13
Weighted average number of shares in issue		**125,000,000**	125,000,000

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

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

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

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

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

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	2022	2021
		SAR'000	
Operating activities:			
Net income for the year attributable to the shareholders before zakat		**480,389**	350,138
Adjustments for non-cash items:			
Net income attributed to the insurance operations		**43,463**	22,330
Depreciation	4,6	**28,108**	27,299
Amortisation of intangible assets	5	**18,836**	5,019
Loss on sale of property and equipment		**223**	-
Allowance for doubtful debts	13	**33,830**	39,891
Dividend and commission income		**(242,477)**	(146,047)
Gain on sale of investments	8	**(36,488)**	(141,957)
Write-back of surplus unclaimed	25	**(32,087)**	-
Finance cost		**6,328**	8,499
Share of profit from investments in equity accounted investments, net	7	**(23,769)**	(18,602)
Provision for defined benefits obligation	18	**13,431**	16,208
		289,787	162,778
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		**(99,006)**	104,868
Deferred excess of loss premiums		**413**	5,222
Deferred policy acquisition costs		**(59,363)**	6,773
Reinsurers' share of gross outstanding claims		**(20,047)**	200,246
Reinsurers' share of incurred but not reported claims reserve		**(63,651)**	(39,459)
Reinsurers' share of gross unearned premiums		**(380,368)**	(33,684)
Receivables, net		**(2,233,343)**	218,661
Reinsurers' balances payable		**458,816**	248,850
Gross unearned premiums		**1,983,649**	711,887
Unearned commission income		**18,894**	4,751
Gross outstanding claims		**425,327**	(115,923)
Incurred but not reported claims reserve		**630,667**	220,891
Premium deficiency reserve		**(16,686)**	(22,124)
Reserve for takaful activities		**(511)**	(172)
Claims payable, accrued expenses and other liabilities		**529,337**	(706,045)
		1,463,915	967,520
Zakat paid during the year	20	**(232,241)**	(14,779)
Surplus paid to policyholders		**(4,372)**	(16,253)
Defined benefits obligation paid	18	**(23,275)**	(13,048)
Net cash flows generated from operating activities		**1,204,027**	923,440
Investing activities:			
Proceeds from sale of available-for-sale investments	8	**3,363,365**	1,726,137
Purchase of available-for-sale investments	8	**(2,087,506)**	(872,905)
Proceeds from maturity of mudaraba / murabaha deposits	9	**10,350,370**	7,221,957
Placement in mudaraba / murabaha deposits	9	**(12,473,524)**	(7,867,623)
Dividends and commission income received		**171,780**	137,415
Dividends received from investments in equity accounted investments	7	**13,261**	13,690
Proceeds from disposal of property and equipment		**573**	-
Purchase of property, equipment and right-of-use assets, net	4	**(46,211)**	(14,780)
Purchase of intangible assets	5	**(15,650)**	(13,938)
Net cash flows (used in) / generated from investing activities		**(723,542)**	329,953
Financing activities:			
Repayments of short-term borrowings		**-**	(400,000)
Dividends paid		**(28)**	(97,781)
Finance cost paid		**-**	(5,746)
Repayment of lease liabilities	17.2	**(9,380)**	(7,394)
Net cash flows used in financing activities		**(9,408)**	(510,921)

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	2022	2021
		SAR'000	
Net change in cash and cash equivalents during the year		**471,077**	742,472
Cash and cash equivalents, beginning of the year	15	**1,188,266**	445,794
Cash and cash equivalents, end of the year	15	**1,659,343**	1,188,266
Non-cash supplemental information:			
Net change in fair value for available-for-sale investments	8	**(73,231)**	63,652
Share of other comprehensive income of equity accounted investments	7	**(4,116)**	(675)
Gain on re-measurement of defined benefits obligation	18	**12,422**	165
Recognition of right-of-use assets	4	**-**	(56,350)
Recognition of lease liabilities	17	**-**	53,917
Transfer to right-of-use assets from prepaid expenses		**-**	2,433

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

1. GENERAL

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

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

On July 31, 2003 corresponding to Jumada Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Central Bank (formerly Saudi Arabian Monetary Authority) "SAMA" as the principal authority responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

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

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

The Company has the following subsidiaries and associates.

Name of the Subsidiary / Associ	*Registration No.*	*Registration date*	*Ownership interest*	*Financial year end*	*Principal Activities*
Subsidiaries					
Teejan Al- Khaleej	1010644057	21 July 2020	100%	December 31	Developing technology based solutions and extending consultancy services for the insurance and healthcare businesses.
Tree Digital Company	1010816901	04 August 2022	100%	December 31	Introducing innovative products and services with an end-to-end digital journey to drive insurance penetration in the Kingdom of Saudi Arabia (e.g. convenience of choice, behaviour change based products, rewards program), while building an ecosystem of partnerships to fulfil growing customer needs and provide a differentiating proposition versus local and regional competitors.
Associates					
United Insurance Company B.S.C.	17337-1	12 May 1986	50%	December 31	Insurance for all motor vehicles which travel through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law.
Waseel Application Service Provider Limited	1010186558	15 April 2003	45%	December 31	Internet based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market.

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

2. BASIS OF PREPARATION

a. Statement of compliance

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

The Group's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, Property, equipment and right-of-use assets, net, intangible assets, investment properties, investments in equity accounted investments, available for sale investments, defined benefits obligation and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

The Group presents its consolidated statement of financial position in order of liquidity (starting from most illiquid). As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the consolidated financial statements accordingly (Note 32). Assets, liabilities, revenues and expenses clearly attributable to either activities are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

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

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Fiscal year

The Group follows a fiscal year ending December 31.

e. Seasonality of operations

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

2. BASIS OF PREPARATION (Continued)

f. Critical accounting judgments, estimates and assumptions

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

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

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

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

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

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

ii) Impairment of available-for-sale financial assets

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

iii) Impairment of receivables

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

2. BASIS OF PREPARATION (Continued)

f) Critical accounting judgments, estimates and assumptions (Continued)

iv) Fair value of financial instruments

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

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Refer fair value of financial instruments disclosure in note 30.

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

- On March 11, 2020, the World Health Organization ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak had also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular had implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

- The Coronavirus ("Covid-19") pandemic continues to disrupt global markets as many geographies experienced multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date. Moreover, beginning October 17, 2021, social distancing requirements have been relaxed.

- The major impact of Covid-19 pandemic was seen in medical and motor line of business. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

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

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

Other financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective

The Group has chosen not to early adopt the following new standards, which have been issued but not yet effective for the Group's accounting year beginning on 1 January 2022 and is currently assessing their impact:

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities as current or non-current	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
Amendments to IFRS 10 and IAS 28	Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date of the amendments has yet to be set by the IASB
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	It requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains	Annual periods beginning on or after 1 January 2024
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 – Insurance Contracts

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

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

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

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

Measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

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

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

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

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

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

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

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

i. the entity's share of the changes in the fair value of underlying items; and
ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

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

Group's adoption of IFRS 17 and IFRS 9

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

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

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

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

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

2) Significant judgements and accounting policy choices

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

a) Contracts within / outside the scope of IFRS 17

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

b) Combination / Unbundling of Contracts

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

c) Level of Aggregation

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

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

This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator of contracts that carry similar risks and are managed together and separates them based on expected profitability at inception. However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). Further, no group for level of aggregation purposes contains contracts issued more than one year apart.

The Group has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract. Below are the considerations used to determine level of aggregation for the Group:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

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

d) Measurement model

The Group applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds. The Group applies the PAA as the coverage period of these contracts is one year or less. In case of contracts with more than one-year of coverage period, the Group had carried out the PAA eligibility test to confirm that PAA may be applied. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

e) Significant judgements and estimates

i. PAA eligibility assessment

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

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

  Upon analysis of the possible differences between LRC and / or ARC applying the PAA and GMM approach, respectively, the Group did not note any material difference for contracts with coverage period of more than one year. Hence, it has opted to report all such contracts using the PAA approach maintaining a consistent accounting treatment to the rest of the portfolio of insurance contracts issued and reinsurance contracts held that have a coverage period of up to one year.

ii. Discounting methodology

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

iii. Risk Adjustment methodology, including correlations, and Confidence level selected

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value of claims. The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines, as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

From the diverse methods available to estimate the volatility of future cash flows and, thus, the applicable confidence interval for each line of business, the Group relied on the following three methods depending on the nature of each portfolio:

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

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

iv. Onerosity determination

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

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

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

v. Expected premium receipts adjustment

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

vi. Significant financing component

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

vii. Non-performance risk

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

viii. VAT treatment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

f) Accounting Policy Choices

i) Length of Cohorts

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

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

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

iii) Unwinding of discount on risk adjustment

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

iv) Expense attribution

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

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

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

v) Deferral of acquisition costs

Commissions and other acquisition related expenses are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned, except for certain payroll costs deferred over the coverage period of the group of insurance contracts. The Group uses a systematic and rational method to allocate such expenses. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

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

vi) Policyholder surplus accounting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

g) Presentation and disclosure

i) Presentation:

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

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

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

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

For the periods presented, all revenue has been recognized based on of the passage of time. The requirements in IFRS 17 to recognize insurance revenue over the coverage period is not expected to result in materially different revenue recognition compared with the Group's current practice of recognizing revenue when the related premiums are written.

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

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

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

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

ii) Disclosures

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

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

<u>Risk Framework</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

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

h) Transition

On transition date, 1 January 2022, the Group:
- has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always been applied
- derecognized any existing balances that would not exist had IFRS 17 always been applied
- recognized any resulting net difference in equity.

Full Retrospective Approach

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

Modified retrospective approach

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

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

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

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

Transition Impact

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

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

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

IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Group will apply IFRS 9 for the first time on 1 January 2023.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

Impact assessment

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

The Group has retained the relevant accounting policies applied by the associate as follows:
- the associate (Waseel Application Services Provider Limited) applies IFRS 9 however the Group applies the temporary exemption from IFRS 9.

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

a) Financial assets – Classification

Business model assessment

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

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of asset sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium / discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, if the assets are perpetual in nature and / or if the Group has a right to indefinitely defer interest payments due on these assets, and the period for which the interest rate is set.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

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

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

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

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

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

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of resources; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The calculation of ECLs

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the differences between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the EAD.

The Group allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- **Stage 1 12mECL:**
  The 12mECL is calculated as the portion of long term ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2 LTECL:**
  When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
- **Stage 3 Impairment:**
  For debt instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

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

- GDP growth
- Inflation

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to expected credit loss expense.

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

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

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

- The comparatives reporting periods figures will be restated. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial instruments that had already been derecognized at 1 January 2022; however, the Group will elect to apply the classification overlay in IFRS 17 to financial assets derecognized in 2022 to present comparatives information as if the classification and measurement (including impairment) requirement of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.

- The following assessment is made on the basis of the facts and circumstances that exist at 1 January 2022:
  - The determination of business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL; and
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a financial asset has a low credit risk at 1 January 2022, then the Group will determine that the credit risk on the asset has not increased significantly since initial recognition.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Standards issued but not yet effective (Continued)

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

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

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

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

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

i) Revenue Recognition

Recognition of premium and commission revenue

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

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

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

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

Fee income from takaful

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

Investment income

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

Dividend income

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

Rental income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Insurance contracts

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

k) Claims

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

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

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

l) Salvage and subrogation reimbursement

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

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

m) Reinsurance

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

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

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

n) Deferred policy acquisition costs

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

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

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

o) Liability adequacy test

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Receivables

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

q) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the consolidated statement of comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of income.

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income as part of the net investment income / loss.

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the statement of income, as impairment charges.

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. The Group also considers appropriate assumptions for credit spread.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

For transfers financial assets are recognized if, and only if, it either:
(a) transfers the contractual rights to receive the cash flows of the financial asset; or
(b) retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

When an entity transfers a financial asset (see paragraph 18), it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:
(a) if the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
(b) if the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset.
(c) if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset. In this case:
    (i) if the entity has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.
    (ii) if the entity has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset (see paragraph 30).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Investments in equity accounted investments

An associate is an entity in which the Group has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture.

Investments in equity accounted investments are carried in the consolidated statement of financial position at cost, plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments.

The consolidated statement of income reflects the Group's share of the results of operations of the associate, while the Group share of other comprehensive income / loss is included in the consolidated statement of other comprehensive income. Dividend from such investments is recognized when received and is credited to the investment account. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any such changes and presents, when applicable, in the consolidated statement of changes in equity

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income, as the case may be.

s) De-recognition of financial instruments

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

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

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

t) Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset unless required or permitted by any accounting standard or interpretation.

u) Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Group commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
- adverse changes in the payment status of issuers or debtors in the Company; or
- national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

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

- For equities and fund carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For debt securities and sukuks carried at amortised cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Group assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

In making an assessment of whether an investment in debt instrument is impaired, the Group considers the factors such as market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness, country's ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the Amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through consolidated statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in other comprehensive income. On derecognition, any cumulative gain or loss previously recognized in other comprehensive income is included in the consolidated statement of income for the year. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Group policy. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Buildings	40-48
Furniture and fixtures	10
Computer equipment	4
Vehicles	4

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

x) Intangible assets

Separately acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortisation and impairment losses. The Group amortises intangible assets with a limited useful life using straight-line method over the following period:

	Years
Software licenses	1 - 4

y) Investment property

Investment property include property (land or a building or part of a building or both) that is held by the Group to earn rentals or for capital appreciation purposes or both. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated based on the depreciable amount, which is the cost of an asset or other amount substitute for cost, less its residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The cost is depreciated on a straight line basis over the estimated useful lives of the assets. When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

The cost of replacing a part of an item of investment property is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of investment property are recognized in consolidated statement of income and other comprehensive income as incurred.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in consolidated statement of income and other comprehensive income. The estimated useful lives of the investment property for the calculation of depreciation are as follows:

	Years
Buildings	38-40

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required. Transfers are made from investment properties to other operating assets categories only when there is a change in use evidenced by commencement of related activity such as development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

aa) Mudaraba / murabaha deposits

Mudaraba / murabaha deposits, with original maturity of more than three months, having fixed or determinable payments are classified as loans and receivables. Loans and receivables are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at Amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognized in the consolidated statement of income when the investment is derecognized or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

bb) Leases

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

Group applies cost model, and measure right of use (RoU) asset at cost;

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment in addition to the consideration for lease term.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

After the commencement date, Group measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at Amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the

Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

cc) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

dd) Employees' benefits

Defined benefits obligation

The Group operates an end of service benefits plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period (as more fully defined in note 18). The benefits payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in consolidated statement of comprehensive income.

Short term employee benefits

Short term employee benefits obligation are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or any other benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ee) Provisions, accrued expenses and other liabilities

Provisions are recognized when the Group has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

ff) Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charge to the consolidated statement of income.

gg) Withholding tax

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

hh) Value Added Tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of:

(a) collection of receivables from customers or
(b) delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

VAT that is not recoverable is charged to consolidated statement of income as expense.

ii) Expenses

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

jj) Dividend distribution

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

kk) Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ll) Cash flow statement

The Group's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

mm) Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the consolidated statement of income. As the Group's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

nn) Operating segments

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

- Medical - coverage for health insurance.
- Medical Umrah - coverage for health insurance for pilgrims.
- Motor insurance - coverage for motor insurance and for Manafeth third party liability insurance for foreign vehicles.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- General accidents insurance - coverage for pilgrims.
- Travel and COVID-19 – coverage of compulsory travel insurance in addition to some coverages related to COVID-19 for citizens travelling abroad.
- Protection & Savings.
- Teejan Al- Khaleej segment - reporting Teejan Al- Khaleej operations of the Group's subsidiaries. Income earned from extending consulting services and facilities for insurance and healthcare business.
- Shareholders' segment - reporting shareholder operations of the Group includes balances of its subsidiary "Tree Digital Company." The revenues shareholders' earned from investment income along with operations of its subsidiary "Tree Digital Company". Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriation basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriation basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

oo) Insurance shared agreement

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

pp) Contingencies and commitments

Contingent liability is:
(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
(b) a present obligation that arises from past events but is not recognized because:
(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are not recognized in the consolidated financial statements. Contingent assets are not disclosed unless an inflow of economic benefits is probable.

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

qq) Statutory reserve

In accordance with the Company's Articles of Association, the Group shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

rr) Basis of consolidation

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

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

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

<u>Non-controlling interests (NCI):</u>
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

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

ss) Surplus distribution payable

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

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

	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Work in progress	Right-of-use asset	Total 2022
				SAR'000				
Cost:								
January 1, 2022	**41,417**	**148,899**	**86,246**	**162,470**	**456**	**-**	**56,350**	**495,838**
Additions	**-**	**-**	**3,405**	**10,384**	**-**	**32,422**	**-**	**46,211**
Disposals	**-**	**-**	**(2,433)**	**(1,061)**	**(30)**	**-**	**-**	**(3,524)**
December 31, 2022	**41,417**	**148,899**	**87,218**	**171,793**	**426**	**32,422**	**56,350**	**538,525**
Accumulated Depreciation:								
January 1, 2022	**-**	**27,723**	**76,153**	**147,167**	**456**	**-**	**7,369**	**258,868**
Charge for the year	**-**	**3,561**	**6,133**	**7,775**	**-**	**-**	**9,351**	**26,820**
Disposals	**-**	**-**	**(1,774)**	**(924)**	**(30)**	**-**	**-**	**(2,728)**
December 31, 2022	**-**	**31,284**	**80,512**	**154,018**	**426**	**-**	**16,720**	**282,960**
Net book value								
December 31, 2022	**41,417**	**117,615**	**6,706**	**17,775**	**-**	**32,422**	**39,630**	**255,565**

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

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

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

5. INTANGIBLE ASSETS

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

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

6. INVESTMENT PROPERTIES

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

a) Measurement of fair values:

For the purpose of the disclosure requirements in accordance with IAS 40 "Investment properties", the Group has appointed Ejadah Saudia for Valuation, professionally qualified independent valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem), with License No. (1210000003) for the purpose of estimating the land and buildings fair value as at December 31, 2022, which amounted to SAR 90 million (2021: SAR 89.8 million).

The fair value has been determined using the market value of the property. Market value of the property has been determined in accordance with the Practice Statements and relevant Guidance notes of the Royal Institution of Chartered Surveyors (RICS) and approved by the International Valuation Standards Committee (IVSC) as follows: Market value is the estimated amount for which as asset or liability could exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Market value of the property has been assessed using a combination of Discounted Cash flow ('DCF') approach and Cost approach. The fair value measurement for all of the investment properties has been categorized under Level 3 of the fair value hierarchy. The Group has recognized rental income to other income amounting to SAR 7.4 million (31 December 2021: 7.4 million).

7. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS

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

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

Shareholders Operations:

a) United Insurance Company

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

* Based on latest available management accounts.

b) Waseel Application Services Provider

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

* Based on latest available management accounts.

8. AVAILABLE-FOR-SALE INVESTMENTS

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

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

As at December 31, 2022 the Group has invested in Shariah Notes having fair value amounting to SAR 1.06 billion (2021: SAR 2.37 billion). The Shariah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Mauritius. The underlying investments of Shariah Notes include funds, discretionary portfolio management - equity shares and fixed income portfolios. The legal ownership of these underlying investments is not with the Group; however, the Group is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes but not over the underlying investments. The Shariah Notes are issued within a ring-fenced cell / structure and the underlying assets are ring-fenced as well for that structure managed by the SPV. The custody of the underlying investments is in the custody account of the SPV or its nominee entity opened with fund and portfolio managers. Tawuniya does not exercise any control over SPV and / or fund and portfolio managers.

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

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

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

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

9. MUDARABA / MURABAHA DEPOSITS

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in mudaraba structures. These deposits are denominated in Saudi riyals and have an original maturity of more than three months. The average yield on these deposits is 5.86%. (2021: 2.86%). The movements in deposits during the year ended December 31, 2022 and 2021 are as follows:

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

10. PREPAID EXPENSES AND OTHER ASSETS

	2022	2021
	SAR'000	
Advance to medical service providers and others	**407,754**	257,630
Prepaid expenses	**78,342**	68,290
Other assets *(refer note 10.1 and 10.2)*	**281,872**	343,042
	767,968	668,962

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

10.2 Other assets also include an amount of SAR 101.6 million receivable from a financial institution. The said receivable is recognized since the Group has entered into an agreement dated December 28, 2022, where by the Group exchanged its investment in Mudaraba deposits amounting to SR 101.6 million for a land amounting to SR 83 million. Remaining balance of SR 18.6 million is due on April 01, 2023. Furthermore, the counterparty has an option to buy back the land within 60 days of the execution of the agreement.

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

a) Deferred policy acquisition costs

	2022	2021
	SAR'000	
Balance, January 1	**127,951**	134,724
Incurred during the year	**555,105**	343,490
Amortised during the year	**(495,742)**	(350,263)
Balance, December 31	**187,314**	127,951

11. MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED COMMISSION INCOME, UNEARNED PREMIUMS AND OUTSTANDING CLAIMS (Continued)

b) Unearned commission income

	2022	2021
	SAR'000	
Balance, January 1	**42,289**	37,538
Commission received during the year	**155,358**	137,045
Commission earned during the year	**(136,464)**	(132,294)
Balance, December 31	**61,183**	42,289

c) Unearned premiums

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

d) Outstanding claims and other reserves

	2022			2021		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
			SAR'000			
Balance, January 1	**4,201,247**	**(2,091,567)**	**2,109,680**	4,118,403	(2,252,354)	1,866,049
Claims and expenses paid	**(8,336,582)**	**836,863**	**(7,499,719)**	(6,764,042)	347,397	(6,416,645)
Claims incurred	**9,375,890**	**(920,561)**	**8,455,329**	6,846,886	(186,610)	6,660,276
Balance, December 31	**5,240,555**	**(2,175,265)**	**3,065,290**	4,201,247	(2,091,567)	2,109,680
Outstanding claims	**2,896,970**	**(1,782,371)**	**1,114,599**	2,440,830	(1,762,324)	678,506
Salvage and subrogation	**(70,914)**	**-**	**(70,914)**	(40,101)	-	(40,101)
Gross outstanding claims	**2,826,056**	**(1,782,371)**	**1,043,685**	2,400,729	(1,762,324)	638,405
Incurred but not reported claims reserves	**2,400,908**	**(392,894)**	**2,008,014**	1,770,241	(329,243)	1,440,998
Premium deficiency reserve	**13,591**	**-**	**13,591**	30,277	-	30,277
Balance, December 31	**5,240,555**	**(2,175,265)**	**3,065,290**	4,201,247	(2,091,567)	2,109,680

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

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

12. REINSURERS' SHARE OF OUTSTANDING CLAIMS, NET

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

	2022	2021
	SAR'000	
Reinsurers' share of insurance liabilities	**2,176,723**	2,093,025
Impairment provision	**(1,458)**	(1,458)
	2,175,265	2,091,567

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

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

13. RECEIVABLES, NET

Receivables comprise net amounts due from the following:

	2022	2021
	SAR'000	
Policyholders	**2,442,579**	1,468,716
Brokers and agents	**1,419,797**	1,558,297
Related parties (Note 29)	**1,797,800**	381,729
	5,660,176	3,408,742
Receivables from reinsurers	**33,318**	51,409
Administrative service plan	**2,582**	2,582
	5,696,076	3,462,733
Provision for doubtful receivables	**(274,562)**	(240,732)
Receivables, net	**5,421,514**	3,222,001

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

	2022	2021
	SAR'000	
Balance, January 1	**240,732**	200,841
Provision for the year	**33,830**	39,891
Balance, December 31	**274,562**	240,732

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

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

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

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

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

14. STATUTORY DEPOSIT

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

15. CASH AND CASH EQUIVALENTS

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

15.1 The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in mudaraba structures. These deposits are denominated in Saudi riyals and have an original maturity of less than three months. The average yield on these deposits is 5.31%. (2021: 2.86%).

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

16. SURPLUS DISTRIBUTION PAYABLE

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

17. CLAIMS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2022	2021
	SAR'000	
Payables to policyholders and hospitals	**425,137**	450,680
Payable - Zakat, Tax and Custom Authority	**345,400**	270,717
Accrued expenses	**223,839**	142,894
Marketing representative commissions	**26,505**	18,542
Insurance share of profit distribution payable	**404,351**	42,800
Payable - Ministry of Hajj and Umrah	**55,970**	14,851
Provision for leave encashment	**21,203**	21,221
Employees' savings plan (17.1)	**29,910**	37,100
Lease liability (17.2)	**38,644**	47,149
Other liabilities	**20,504**	24,677
	1,591,463	1,070,631

17.1 The Group has a savings plan for its Saudi employees under which a definite percentage of the employees' salary is periodically deducted, with the Company investing this amount through one of the investment funds compatible with the rules of Islamic Shariah. The total number of subscribers at the end of 2022 reached 226 employees (2021: 267 employees) with a subscription amounting to SAR 19.1 million (2021: SAR 22.2 million).

17. CLAIMS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES (Continued)

17.2 Movement of lease liability are as follows:

	2022	2021
	SAR'000	
January 1	**47,149**	-
Additions	**-**	53,917
Finance cost	**875**	626
Repayment	**(9,380)**	(7,394)
December 31	**38,644**	47,149

18. DEFINED BENEFITS OBLIGATION

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

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

	2022	2021
	SAR'000	
Present value of defined benefits obligation	**125,297**	142,110
	125,297	142,110

18.2 Movement of defined benefits obligation

	2022	2021
	SAR'000	
Opening balance	**142,110**	134,990
Charge to the consolidated statement of income	**18,884**	20,333
Charge to the consolidated statement of other comprehensive income	**(12,422)**	(165)
Payment of benefits during the year	**(23,275)**	(13,048)
Closing balance	**125,297**	142,110

18.3 Reconciliation of present value of defined benefits obligation

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

18.4 Principal actuarial assumptions

In the absence of a deep market for "High Quality" local currency corporate bonds, the valuation discount rate was set based on the yields offered by USD-denominated bond yields as published by the European Insurance and Occupational Pensions Authority "EIOPA" and then adjusted for the Kingdom of Saudi Arabia's country risk (versus the US).

18.5 Sensitivity analysis of actuarial assumptions

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

	2022	2021
	SAR '000	
	Impact on defined benefits obligation	
Valuation discount rate		
- Increase by 0.5%	**(3,866)**	(4,683)
- Decrease by 0.5%	**4,102**	4,906
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	**3,946**	4,706
- Decrease by 0.5%	**(3,760)**	(4,530)

19. CLAIMS DEVELOPMENT TABLE

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

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

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

Claims development table gross of reinsurance:

2022

Accident year	**2017 & Earlier**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	**39,812,081**	**7,423,498**	**5,946,043**	**4,554,241**	**6,020,436**	**7,556,043**	
One year later	**35,265,398**	**8,583,529**	**7,129,338**	**5,521,225**	**7,502,579**		
Two years later	**41,311,688**	**8,587,813**	**7,052,371**	**5,601,323**			
Three years later	**41,334,483**	**8,427,517**	**6,986,996**				
Four years later	**41,241,093**	**8,373,047**					
Five years later	**41,035,376**						
Current estimate of cumulative claims	**41,035,376**	**8,373,047**	**6,986,996**	**5,601,323**	**7,502,579**	**7,556,043**	**77,055,364**
Cumulative payments to date	**(40,758,037)**	**(8,166,583)**	**(6,722,632)**	**(5,486,659)**	**(6,815,061)**	**(6,209,422)**	**(74,158,394)**
Liability recognized in the consolidated statement of financial position	**277,339**	**206,464**	**264,364**	**114,664**	**687,518**	**1,346,621**	**2,896,970**
Salvage and subrogation							**(70,914)**
Incurred but not reported claims	**19,807**	**8,803**	**3,453**	**10,961**	**165,579**	**2,192,305**	**2,400,908**
Premium deficiency reserve							**13,591**
Outstanding claims and reserves							**5,240,555**

2021

Accident year	2016 & Earlier	2017	2018	2019	2020	2021	Total
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	33,073,839	5,842,642	7,423,498	5,946,045	4,554,242	6,020,437	
One year later	33,969,439	7,065,784	8,583,529	7,129,338	5,521,225		
Two years later	33,989,719	7,263,141	8,587,813	7,052,371			
Three years later	34,048,547	7,303,280	8,427,517				
Four years later	34,031,203	7,284,187					
Five years later	33,956,906						
Current estimate of cumulative claims	33,956,906	7,284,187	8,427,517	7,052,371	5,521,225	6,020,437	68,262,643
Cumulative payments to date	(33,632,067)	(7,108,392)	(8,107,618)	(6,359,779)	(5,209,984)	(5,403,973)	(65,821,813)
Liability recognized in the consolidated statement of financial position	324,839	175,795	319,899	692,592	311,241	616,464	2,440,830
Salvage and subrogation							(40,101)
Incurred but not reported claims	27,267	12,114	6,372	5,388	103,582	1,615,518	1,770,241
Premium deficiency reserve							30,277
Outstanding claims and reserves							4,201,247

19. CLAIMS DEVELOPMENT TABLE (Continued)

Claims development table net of reinsurance:

2022

Accident year	**2017 & Earlier**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	**32,485,293**	**5,219,686**	**4,773,693**	**4,370,006**	**5,764,220**	**6,895,557**	
One year later	**33,734,967**	**5,952,086**	**5,824,840**	**5,143,894**	**6,727,234**		
Two years later	**33,914,153**	**6,302,817**	**5,840,405**	**5,261,331**			
Three years later	**33,917,379**	**6,297,516**	**5,858,104**				
Four years later	**33,878,624**	**6,297,337**					
Five years later	**33,820,908**						
Current estimate of cumulative claims	**33,820,908**	**6,297,337**	**5,858,104**	**5,261,331**	**6,727,234**	**6,895,557**	**64,860,471**
Cumulative payments to date	**(33,737,716)**	**(6,280,357)**	**(5,837,631)**	**(5,224,151)**	**(6,674,898)**	**(5,991,119)**	**(63,745,872)**
Liability recognized in the consolidated statement of financial position	**83,192**	**16,980**	**20,473**	**37,180**	**52,336**	**904,438**	**1,114,599**
Salvage and subrogation							**(70,914)**
Incurred but not reported claims	**16,082**	**8,551**	**3,416**	**10,937**	**160,714**	**1,808,314**	**2,008,014**
Premium deficiency reserve							**13,591**
Outstanding claims and reserves							**3,065,290**

2021

Accident year	2016 & Earlier	2017	2018	2019	2020	2021	Total
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	26,043,900	5,444,158	5,219,686	4,773,695	4,370,007	5,764,221	
One year later	27,041,135	6,521,216	5,952,086	5,824,840	5,143,894		
Two years later	27,213,751	6,693,505	6,302,817	5,840,405			
Three years later	27,220,649	6,713,412	6,297,516				
Four years later	27,203,968	6,702,493					
Five years later	27,176,131						
Current estimate of cumulative claims	27,176,131	6,702,493	6,297,516	5,840,405	5,143,894	5,764,221	56,924,660
Cumulative payments to date	(27,066,295)	(6,665,283)	(6,266,416)	(5,810,428)	(5,103,877)	(5,333,855)	(56,246,154)
Liability recognized in the consolidated statement of financial position	109,836	37,210	31,100	29,977	40,017	430,366	678,506
Salvage and subrogation							(40,101)
Incurred but not reported claims	33,029	5,921	2,951	4,992	97,459	1,296,646	1,440,998
Premium deficiency reserve							30,277
Outstanding claims and reserves							2,109,680

20. ZAKAT

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

	2022	2021
	SAR'000	
Share capital	**1,250,000**	1,250,000
Reserves, opening provisions and other adjustments	**2,254,373**	2,051,875
Book value of long term assets	**(570,564)**	(470,936)
	2,933,809	2,830,939
Adjusted net income	**542,177**	424,224
Zakat @ 2.585% on Zakat base	**75,832**	72,972
Zakat @ 2.5% on adjusted net income	**13,554**	10,606
	89,386	83,578

As the zakat base for the year is higher than the zakatable income, the zakat for the year is calculated at 2.585 % on the zakat base and 2.5% on adjusted net income for the year.

b) The movement in the zakat provision for the year was as follows:

	2022	2021
	SAR'000	
Balance, January 1	**415,023**	346,224
Provided during the year	**89,386**	83,578
Payments during the year	**(232,241)**	(14,779)
Balance, December 31	**272,168**	415,023

c) Status of Assessments:

The Group has filed Zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2014 to 2021. The ZATCA issued assessments for the years 2014 to 2018 and objection was lodged against those years by the Group. For 2014 to 2018, the ZATCA rejected the appeal and the Group filed their appeal case at the "General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC") (formerly known as General Secretariat of Tax Committees ("GSTC"))". The Group also approached the Alternative Dispute Resolution Committee (ADRC) to discuss an amicable settlement of their contested appeal matters for the years 2014 to 2018. In February 2022, the Group agreed on a settlement with the ADRC amounting to SAR 221 million for the assessment years 2014 to 2018. Furthermore, ZATCA has started its review procedures for years 2019 and 2020 but has not raised any final assessment related to these years.

Management believes that appropriate and adequate provisions have been created and that the finalization of the above mentioned assessments is not expected to have a material impact on the interim condensed consolidated financial statements for the year ended December 31, 2022.

21. SHARE CAPITAL

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

	2022		
	Authorized and issued		**Paid up**
	No. of Shares	**SAR'000**	
Held by the public	**92,676,731**	**926,767**	**926,767**
General Organization for Social Insurance	**32,323,269**	**323,233**	**323,233**
	125,000,000	**1,250,000**	**1,250,000**

	2021		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	79,025,509	790,255	790,255
General Organization for Social Insurance	45,974,491	459,745	459,745
	125,000,000	1,250,000	1,250,000

During the year, General Organization for Social Insurance (GOSI), as part of its restructuring process, transferred part of its holdings in various Tadawul-listed companies to its subsidiaries. Consequently, the direct holding percentage of GOSI as at December 31, 2022 is 25.86% (December 31, 2021: 36.78%).

22. STATUTORY RESERVE

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

23. INSURANCE SHARE DISTRIBUTION

(i) Manafeth shared agreement:

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

The main terms of the agreement are as follows:

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

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

(ii) Hajj and Umrah shared agreement:

On January 1, 2020 the Company, together with 28 other insurance companies, signed the Umrah shared agreement relating to medical and general accidents insurance which is effective from January 1, 2020. Effective from March 30, 2022, the Company has also signed an Appendix “1” to an existing Umrah shared agreement with Ministry of Hajj and Umrah to include Hajj insurance product relating to general accidents insurance including Covid-19 coverage. The agreement relates to insurance of pilgrims who enter the Kingdom of Saudi Arabia.

The main terms of the agreement are as follows:

- The Company obtains 2% management fee of the net result of the Hajj and Umrah portfolio;
- The Company obtains 2.5% of Hajj and Umrah’s gross premiums written to cover the related indirect expenses;
- The Company obtains 0.3% of investing portfolio funds;
- The Company pays 7.5% brokerage commission of Hajj and Umrah’s gross premiums written through broker;
- The Company pays 10% of Hajj and Umrah’s portfolio surplus to Ministry of Hajj and Umrah; and
- The net result of the Hajj and Umrah portfolio after deducting all the above-mentioned items is shared equally by the Company and other insurers.

(iii) Travel and COVID-19 shared agreement:

On April 6, 2021 the Company, together with 12 other insurance companies, signed the Travel and COVID-19 shared agreement relating to compulsory travel insurance in addition to coverages related to COVID-19 which is effective from April 6, 2021. The agreement relates to insurance of citizens traveling abroad.
The main terms of the agreement are as follows:

- The Company obtains 2.5% management fee of Travel and COVID-19 gross premiums written; and
- The Company obtains 30% of net result of Travel & COVID-19 portfolio after deducting the above mentioned item and the remaining is shared equally with other insurers.

Effective from September 1, 2022, in accordance with the announcement of General Directorate of Passports (Jawazat), the Company has ceased to write Travel and COVID-19 insurance policies for the citizens traveling abroad. Consequently, Travel and COVID-19 portfolio will be continued as run-off portfolio until all premiums are earned and all claims and related reserves are settled.

24. INVESTMENT INCOME, net

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

25. OTHER INCOME / (EXPENSES), NET

	2022	2021
	SAR'000	
Write-back of surplus unclaimed (Note 25.1)	**32,087**	-
Management fees income	**27,160**	952
Commission income on cash & cash equivalents	**28,435**	1,080
Other expenses, net	**(65)**	(3,648)
	87,617	(1,616)

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

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	SAR'000	
Salaries and benefits	**561,642**	499,225
Advertising	**52,425**	43,197
Insurance, utilities and maintenance	**21,795**	19,640
Depreciation (Note 4,6)	**28,108**	27,299
Communications	**15,721**	15,864
Office supplies and printing	**7,812**	4,525
Training and education	**7,599**	2,693
Professional fees	**28,066**	25,502
Indirect cost charge	**27,160**	952
License and other charges	**62,366**	45,524
Unrecoverable VAT and penalties	**13,059**	18,933
Finance cost	**6,328**	8,499
Others	**69,148**	34,415
	901,229	746,268

27. BASIC AND DILUTED EARNINGS PER SHARE

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

28. ACCRUED INVESTMENT INCOME

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

29. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Group's management and Board of Directors. Following are the details of the major related party transactions during the year and the related balances at December 31:

	Amount of transactions for the year ended SAR'000		**Balance receivable / (payable) as at SAR'000**	
	2022	2021	**2022**	2021
Major shareholders				
Insurance premium written	**52,923**	56,298	**857**	15,951
Allowance for doubtful debts	**-**	-	**-**	(2,457)
Claims paid to medical services providers	**396**	68	**-**	-
General Organization for Social Insurance - other services	**778**	145	**-**	-
Associates				
Insurance premium written	**1,007**	887	**30**	75
Waseel fees paid	**10,146**	3,755	**(1,016)**	-
United Insurance Company B.S.C. fees and claims	**7,894**	6,848	**646**	582
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written	**2,461,655**	614,440	**1,796,913**	365,703
Allowance for doubtful debts	**-**	-	**(7,030)**	(4,670)
Claims paid to medical services providers	**26,671**	602	**-**	-
Najm fees paid	**55,990**	61,040	**(10,107)**	(10,504)
Rent expenses paid	**-**	1,666	**-**	(561)
Other services	**1,184**	-	**(456)**	-

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

Remuneration and compensation of BOD Members and Top Executives
The following table shows the annual salaries, remuneration and allowances obtained by the Board members and five top executives for the year ended December 31, 2022 and 2021:

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

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

30. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

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

	SAR'000			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for- sale investments				
Insurance operations				
Mutual funds	**-**	**10,088**	**-**	**10,088**
Private equity investment *	**-**	**-**	**31,174**	**31,174**
	-	**10,088**	**31,174**	**41,262**
Shareholders operations				
Mutual funds	**-**	**7,500**	-	**7,500**
Fixed income investments	**5,000**	**467,309**	**-**	**472,309**
Discretionary portfolio management – equity shares	**-**	**335,238**	**-**	**335,238**
Funds with portfolio manager	**-**	**121,568**	**-**	**121,568**
	5,000	**931,615**	**-**	**936,615**
Total	**5,000**	**941,703**	**31,174**	**977,877**

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

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

30. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

The fair values of statutory deposits, accrued investment income on statutory deposit, mudaraba / murabaha deposits, bank balances and other financial assets in the consolidated statement of financial position which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements due to the short term nature of balances or they are repayable on demand.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

				SAR'000		
				Total gain or loss recognized in		
December 31, 2022	**Balance January 1**	**Purchases / Transfers**	**Sales**	**Consolidated statement of income**	**Other comprehensive income**	**Balance December 31**
Insurance operations						
Private equity investment	**10,250**	**-**	**-**	**-**	**20,924**	**31,174**
	10,250	**-**	**-**	**-**	**20,924**	**31,174**
Shareholders operations						
Private equity investment	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**	**-**
Total	**10,250**	**-**	**-**	**-**	**20,924**	**31,174**

				SAR'000		
				Total gain or loss recognized in		
December 31, 2021	Balance January 1	Purchases / Transfers	Sales	Consolidated statement of income	Other comprehensive income	Balance December 31
Insurance operations						
Private equity investment	10,250	-	-	-	-	10,250
	10,250	-	-	-	-	10,250
Shareholders operations						
Private equity investment	53,145	-	(53,145)	-	-	-
	53,145	-	(53,145)	-	-	-
Total	63,395	-	(53,145)	-	-	10,250

30. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

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

Sensitivity analysis of Level 3 investments

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

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

31. OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

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

These unallocated assets and liabilities (including the related charges for allowance for doubtful debts on premiums receivable and depreciation on the Property, equipment and right of use assets, net) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

31. OPERATING SEGMENTS (Continued)

	2022										
Operating Segments	**Medical***	**Medical - Umrah**	**Motor**	**Property & casualty**	**General accidents - Hajj & Umrah**	**Travel & COVID-19**	**Protection & Savings**	**Total - Insurance operations**	**Total - Teejan Al-Khaleej operations**	**Total Shareholders' operations**	**Total**
	SAR'000										
REVENUES											
Gross premiums written											
- Retail	37,088	543,203	794,631	25,544	543,198	125,358		2,069,022			2,069,022
- Micro Enterprises	465,560	-	67,455	55,561				588,576			588,576
- Small Enterprises	385,371	-	29,785	28,039			204	443,399			443,399
- Medium Enterprises	385,719	-	65,540	38,952			1,092	491,303			491,303
- Corporates	8,644,492	-	84,445	1,985,392			42,991	10,757,320			10,757,320
	9,918,230	543,203	1,041,856	2,133,488	543,198	125,358	44,287	14,349,620			14,349,620
Reinsurance ceded – local	-	-	-	(36,939)	-	-	-	(36,939)			(36,939)
Reinsurance ceded – international	(126,529)	-	-	(1,898,505)	(37,506)	(4,361)	(39,669)	(2,106,570)			(2,106,570)
Excess of loss premiums – local	-	-	(434)	(1,512)	(11,040)	-		(12,986)			(12,986)
Excess of loss premiums – International	-	-	(2,434)	(18,668)	(13,080)	-		(34,182)			(34,182)
Fees income from takaful	-	-	-	-	-	-	5,786	5,786			5,786
Net premiums written	9,791,701	543,203	1,038,988	177,864	481,572	120,997	10,404	12,164,729			12,164,729
Changes in unearned premiums, net	(1,086,353)	(128,402)	(253,632)	(34,980)	(103,528)	4,164	(550)	(1,603,281)			(1,603,281)
Net premiums earned	8,705,348	414,801	785,356	142,884	378,044	125,161	9,854	10,561,448			10,561,448
Reinsurance commissions	2,453	-	-	134,011				136,464			136,464
Other underwriting income	2,729	-	104	9,034				11,867			11,867
TOTAL REVENUES	8,710,530	414,801	785,460	285,929	378,044	125,161	9,854	10,709,779			10,709,779
UNDERWRITING COSTS AND EXPENSES											
Gross claims paid and expenses incurred related to claims	6,740,285	204,573	583,503	781,866	1,207	2,831	22,317	8,336,582			8,336,582
Reinsurers' share of claims paid	(49,508)	-	(10,623)	(755,716)	(239)	(108)	(20,669)	(836,863)			(836,863)
Net claims and other benefits paid	6,690,777	204,573	572,880	26,150	968	2,723	1,648	7,499,719			7,499,719
Changes in outstanding claims, net	421,845	-	(27,341)	10,011	-	-	765	405,280			405,280
Changes in incurred but not reported claims reserve, net	498,206	10,616	34,142	3,191	30,635	(9,361)	(413)	567,016			567,016
Changes in premium deficiency reserves	(20,096)	-	1,005	2,211	-	-	194	(16,686)			(16,686)
Net claims and other benefits incurred	7,590,732	215,189	580,686	41,563	31,603	(6,638)	2,194	8,455,329			8,455,329
Changes in reserve for takaful activities	-	-	-	-	-	-	(511)	(511)			(511)
Policy acquisition costs	292,619	31,117	93,390	55,925	32,403	5,071	995	511,520	(15,778)		495,742
Other underwriting expenses	140,360	36,774	3,514	10,584	53,484	3,978	2,575	251,269			251,269
Insurance share distribution	-	115,729	567	-	240,467	84,374	-	441,137			441,137
TOTAL UNDERWRITING COSTS AND EXPENSES	8,023,711	398,809	678,157	108,072	357,957	86,785	5,253	9,658,744	(15,778)		9,642,966

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

31. OPERATING SEGMENTS (Continued)

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

31. OPERATING SEGMENTS (Continued)

	2021										
Operating Segments	**Medical***	**Medical - Umrah**	**Motor**	**Property & casualty**	**General accidents - Hajj & Umrah**	**Travel & COVID-19**	**Protection & Savings**	**Total - Insurance operations**	**Total - Teejan Al-Khaleej operations**	**Total Shareholders' operations**	**Total**
	SAR'000										
REVENUES											
Gross premiums written											
- Retail	16,899	19,107	507,960	19,353	16,358	99,107	218	679,002			679,002
- Micro Enterprises	343,234	-	20,416	13,701	-	-	-	377,351			377,351
- Small Enterprises	261,567	-	8,731	16,694	-	-	280	287,272			287,272
- Medium Enterprises	327,969	-	18,807	38,904	-	-	967	386,647			386,647
- Corporates	6,870,037	-	62,695	1,521,347	-	-	34,255	8,488,334			8,488,334
	7,819,706	19,107	618,609	1,609,999	16,358	99,107	35,720	10,218,606			10,218,606
Reinsurance ceded – local	-	-	-	(76,624)	-	-	(2,282)	(78,906)			(78,906)
Reinsurance ceded – international	(84,580)	-	-	(1,396,897)	(1,102)	(2,727)	(30,276)	(1,515,582)			(1,515,582)
Excess of loss premiums – local			(3,317)	(9,859)				(13,176)			(13,176)
Excess of loss premiums – International			(630)	(5,695)	(1,218)			(7,543)			(7,543)
Fees income from takaful	-	-	-	-	-	-	4,466	4,466			4,466
Net premiums written	7,735,126	19,107	614,662	120,924	14,038	96,380	7,628	8,607,865			8,607,865
Changes in unearned premiums, net	(645,860)	(3,520)	(1,724)	(19,717)	(2,835)	(4,164)	(383)	(678,203)			(678,203)
Net premiums earned	7,089,266	15,587	612,938	101,207	11,203	92,216	7,245	7,929,662			7,929,662
Reinsurance commissions	1,663	-	-	130,631	-	-	-	132,294			132,294
Other underwriting income	74	-	2,313	3,882	-	-	-	6,269			6,269
TOTAL REVENUES	7,091,003	15,587	615,251	235,720	11,203	92,216	7,245	8,068,225			8,068,225
UNDERWRITING COSTS AND EXPENSES											
Gross claims paid and expenses incurred related to claims	6,012,501	7,122	414,487	291,816	14	3,681	34,421	6,764,042			6,764,042
Reinsurers' share of claims paid	(41,041)	-	(5,821)	(268,683)	(10)	(181)	(31,661)	(347,397)			(347,397)
Net claims and other benefits paid	5,971,460	7,122	408,666	23,133	4	3,500	2,760	6,416,645			6,416,645
Changes in outstanding claims, net	121,322	-	(31,243)	(5,681)	-	-	(75)	84,323			84,323
Changes in incurred but not reported claims reserve, net	168,688	1,118	(18,380)	7,133	2,367	20,108	398	181,432			181,432
Changes in premium deficiency reserves	(14,611)	-	-	(7,606)	-	-	93	(22,124)			(22,124)
Net claims and other benefits incurred	6,246,859	8,240	359,043	16,979	2,371	23,608	3,176	6,660,276			6,660,276
Changes in reserve for takaful activities	-	-	-	-	-	-	(172)	(172)			(172)
Policy acquisition costs	237,175	1,162	75,136	47,820	995	2,326	578	365,192	(14,929)		350,263
Other underwriting expenses	111,102	1,242	5,487	12,333	1,128	3,110	3,139	137,541			137,541
Insurance share distribution	-	3,123	12,605	-	5,028	42,105	-	62,861			62,861
TOTAL UNDERWRITING COSTS AND EXPENSES	6,595,136	13,767	452,271	77,132	9,522	71,149	6,721	7,225,698	(14,929)		7,210,769

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

31. OPERATING SEGMENTS (Continued)

	2021										
Operating Segments	**Medical***	**Medical - Umrah**	**Motor**	**Property & casualty**	**General accidents - Hajj & Umrah**	**Travel & COVID-19**	**Protection & Savings**	**Total - Insurance operations**	**Total - Teejan Al-Khaleej operations**	**Total Shareholders' operations**	**Total**
	SAR'000										
Net underwriting income	495,867	1,820	162,980	158,588	1,681	21,067	524	842,527	14,929		857,456
Unallocated (expense) / income											
General and administrative expenses								(737,796)	(368)	(8,104)	(746,268)
Allowance for doubtful debts								(39,891)	-	-	(39,891)
Investment income, net								145,751	-	138,434	284,185
Share of profit from equity accounted investments, net								-	-	18,602	18,602
Other income / expenses, net								12,712	(14,328)	-	(1,616)
Net income before attribution and zakat								223,303	233	148,932	372,468

31. OPERATING SEGMENTS (Continued)

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

31. OPERATING SEGMENTS (Continued)

As at December 31, 2021

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

32. SUPPLEMENTARY INFORMATION

a) *Consolidated statement of financial position*

	As at December 31, 2022			As at December 31, 2021		
	Insurance operations	**Shareholders' & Subsidiaries operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
			SAR'000			
ASSETS						
Statutory deposit	**-**	**125,000**	**125,000**	-	125,000	125,000
Accrued income on statutory deposit	**-**	**5,420**	**5,420**	-	3,050	3,050
Property, equipment and right-of-use assets, net	**255,565**	**-**	**255,565**	236,970	-	236,970
Intangible assets	**12,063**	**1,378**	**13,441**	16,627	-	16,627
Investment properties	**59,562**	**-**	**59,562**	60,850	-	60,850
Investments in equity accounted investments	**-**	**95,948**	**95,948**	-	89,556	89,556
Available-for-sale investments	**121,726**	**936,615**	**1,058,341**	1,539,362	831,581	2,370,943
Mudaraba / murabaha deposits	**3,659,231**	**2,244,521**	**5,903,752**	1,700,623	2,079,975	3,780,598
Due from / to Shareholder's operations	**(133,278)**	**133,278**	**-**	(227,129)	227,129	-
Prepaid expenses and other assets	**763,485**	**4,483**	**767,968**	667,515	1,447	668,962
Deferred excess of loss premiums	**7,088**	**-**	**7,088**	7,501	-	7,501
Deferred policy acquisition costs	**187,314**	**-**	**187,314**	127,951	-	127,951
Reinsurers' share of gross outstanding claims	**1,782,371**	**-**	**1,782,371**	1,762,324	-	1,762,324
Reinsurers' share of incurred but not reported claims	**392,894**	**-**	**392,894**	329,243	-	329,243
Reinsurers' share of gross unearned premiums	**1,097,750**	**-**	**1,097,750**	717,382	-	717,382
Receivables, net	**5,421,514**	**-**	**5,421,514**	3,222,001	-	3,222,001
Accrued investment income	**20,840**	**60,886**	**81,726**	6,893	4,136	11,029
Cash and cash equivalents	**1,606,362**	**52,981**	**1,659,343**	1,161,102	27,164	1,188,266
TOTAL ASSETS	**15,254,487**	**3,660,510**	**18,914,997**	11,329,215	3,389,038	14,718,253
LIABILITIES						
Surplus distribution payable	**265,167**	**-**	**265,167**	258,163	-	258,163
Defined benefits obligation	**125,297**	**-**	**125,297**	142,110	-	142,110
Return payable on statutory deposit	**-**	**5,420**	**5,420**	-	3,050	3,050
Claims payable, accrued expenses and other liabilities	**1,568,113**	**23,350**	**1,591,463**	1,061,227	9,404	1,070,631
Reserve for takaful activities	**2,861**	**-**	**2,861**	3,372	-	3,372
Gross outstanding claims	**2,826,056**	**-**	**2,826,056**	2,400,729	-	2,400,729
Incurred but not reported claims reserve	**2,400,908**	**-**	**2,400,908**	1,770,241	-	1,770,241
Premium deficiency reserve	**13,591**	**-**	**13,591**	30,277	-	30,277
Unearned commission income	**61,183**	**-**	**61,183**	42,289	-	42,289
Gross unearned premiums	**7,014,914**	**-**	**7,014,914**	5,031,265	-	5,031,265
Reinsurers' balances payable	**962,225**	**-**	**962,225**	503,409	-	503,409
Dividends payable	**-**	**8,602**	**8,602**	-	8,630	8,630
Zakat payable	**-**	**272,168**	**272,168**	-	415,023	415,023
TOTAL LIABILITIES	**15,240,315**	**309,540**	**15,549,855**	11,243,082	436,107	11,679,189
EQUITY						
Share capital	**-**	**1,250,000**	**1,250,000**	-	1,250,000	1,250,000
Statutory reserve	**-**	**1,250,000**	**1,250,000**	-	1,197,495	1,197,495
Fair value reserve for investments	**21,846**	**53,320**	**75,166**	106,229	46,284	152,513
Remeasurement of defined benefits obligation	**(7,674)**	**-**	**(7,674)**	(20,096)	-	(20,096)
Retained earnings	**-**	**797,650**	**797,650**	-	459,152	459,152
TOTAL EQUITY	**14,172**	**3,350,970**	**3,365,142**	86,133	2,952,931	3,039,064
TOTAL LIABILITIES AND EQUITY	**15,254,487**	**3,660,510**	**18,914,997**	11,329,215	3,389,038	14,718,253

32. SUPPLEMENTARY INFORMATION (Continued)

b) Consolidated statement of income

	2022			2021		
	Insurance operations	Shareholders' & Subsidiaries operations	Total	Insurance operations	Shareholders' & Subsidiary operations	Total
	SAR'000					
REVENUES						
Gross premiums written	14,349,620		14,349,620	10,218,606		10,218,606
Reinsurance ceded	(2,143,509)		(2,143,509)	(1,594,488)		(1,594,488)
Excess of loss premiums	(47,168)		(47,168)	(20,719)		(20,719)
Fee income from takaful	5,786		5,786	4,466		4,466
Net premiums written	12,164,729		12,164,729	8,607,865		8,607,865
Changes in unearned premiums, net	(1,603,281)		(1,603,281)	(678,203)		(678,203)
Net premiums earned	10,561,448		10,561,448	7,929,662		7,929,662
Reinsurance commissions	136,464		136,464	132,294		132,294
Other underwriting income	11,867		11,867	6,269		6,269
Total revenues	10,709,779		10,709,779	8,068,225		8,068,225
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	8,107,508		8,107,508	6,750,880		6,750,880
Expenses incurred related to claims	229,074		229,074	13,162		13,162
Reinsurers' share of claims paid	(836,863)		(836,863)	(347,397)		(347,397)
Net claims and other benefits paid	7,499,719		7,499,719	6,416,645		6,416,645
Changes in outstanding claims, net	405,280		405,280	84,323		84,323
Changes in incurred but not reported claims, net	567,016		567,016	181,432		181,432
Changes in premium deficiency reserves	(16,686)		(16,686)	(22,124)		(22,124)
Net claims and other benefits incurred	8,455,329		8,455,329	6,660,276		6,660,276
Changes in reserves for takaful activities	(511)		(511)	(172)		(172)
Policy acquisition costs	511,520	(15,778)	495,742	365,192	(14,929)	350,263
Other underwriting expenses	251,269		251,269	137,541		137,541
Insurers share distribution	441,137		441,137	62,861		62,861
Total underwriting costs and expenses	9,658,744	(15,778)	9,642,966	7,225,698	(14,929)	7,210,769
Net underwriting income	1,051,035	15,778	1,066,813	842,527	14,929	857,456
OTHER OPERATING (EXPENSES) / INCOME						
General and administrative expenses	(893,690)	(7,539)	(901,229)	(737,796)	(8,472)	(746,268)
Allowance for doubtful debts	(33,830)	-	(33,830)	(39,891)	-	(39,891)
Investment income, net	208,655	72,057	280,712	145,751	138,434	284,185
Share of profit from investments in equity accounted investments, net	-	23,769	23,769	-	18,602	18,602
Other income, net	102,464	(14,847)	87,617	12,712	(14,328)	(1,616)
Net income for the year before attribution and zakat	434,634	89,218	523,852	223,303	149,165	372,468
Surplus transferred to Shareholders' operations	(391,171)	391,171	-	(200,973)	200,973	-
Net income for the year after Shareholders' appropriations before zakat	43,463	480,389	523,852	22,330	350,138	372,468
Zakat charge for the year		(89,386)			(83,578)	
Net income for the year after zakat		391,003			266,560	

32. SUPPLEMENTARY INFORMATION (Continued)

c) Consolidated statement of comprehensive income

	2022			2021		
	Insurance operations	**Shareholders' & Subsidiaries operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
	SAR'000					
Net income for the year after zakat	**43,463**	**391,003**	**434,466**	22,330	266,560	288,890
Other comprehensive income:						
Not to be recycled back to the consolidated statement of income in subsequent years:						
Re-measurement of defined benefits obligation	**12,422**	**-**	**12,422**	165	-	165
To be recycled back to the consolidated statement of income in subsequent years:						
Available for sale investments						
- Net change in fair value	**(29,079)**	**(7,664)**	**(36,743)**	168,727	36,882	205,609
- Net amounts transferred to the consolidated statement of income	**(55,304)**	**18,816**	**(36,488)**	(58,559)	(83,398)	(141,957)
Share of other comprehensive income of investment in in equity accounted investments	**-**	**(4,116)**	**(4,116)**	-	(675)	(675)
Total comprehensive income for the year	**(28,498)**	**398,039**	**369,541**	132,663	219,369	352,032
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus distribution payable			**(43,463)**			(22,330)
Total comprehensive income for the year			**326,078**			329,702

32. SUPPLEMENTARY INFORMATION (Continued)

d) Consolidated Statement of cash flows

	2022			2021		
	Insurance operations	**Shareholders' & Subsidiaries operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
			SAR'000			
Operating activities:						
Net income before attribution and zakat	**43,463**	**480,389**	**523,852**	22,330	350,138	372,468
Adjustments for non-cash items:						
Depreciation	**28,108**	**-**	**28,108**	27,299	-	27,299
Amortisation of intangible assets	**18,836**	**-**	**18,836**	5,019	-	5,019
Gain on sale of property and equipment	**223**	**-**	**223**	-	-	-
Allowance for doubtful debts	**33,830**	**-**	**33,830**	39,891	-	39,891
Dividend and commission income	**(147,868)**	**(94,609)**	**(242,477)**	(87,193)	(58,854)	(146,047)
(Gain) / loss on sale of available-for-sale investments	**(55,304)**	**18,816**	**(36,488)**	(58,559)	(83,398)	(141,957)
Write-back of surplus payable	**(32,087)**	**-**	**(32,087)**	-	-	-
Finance cost	**6,328**	**-**	**6,328**	8,499	-	8,499
Share of profit in equity accounted investments, net	**-**	**(23,769)**	**(23,769)**	-	(18,602)	(18,602)
Provision for defined benefits obligation	**13,431**	**-**	**13,431**	16,208	-	16,208
	(91,040)	**380,827**	**289,787**	(26,506)	189,284	162,778
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	**(95,970)**	**(3,036)**	**(99,006)**	106,315	(1,447)	104,868
Deferred excess of loss premiums	**413**	**-**	**413**	5,222	-	5,222
Deferred policy acquisition costs	**(59,363)**	**-**	**(59,363)**	6,773	-	6,773
Reinsurers' share of gross outstanding claims	**(20,047)**	**-**	**(20,047)**	200,246	-	200,246
Reinsurers' share of incurred but not reported claims reserve	**(63,651)**	**-**	**(63,651)**	(39,459)	-	(39,459)
Reinsurers' share of gross unearned premiums	**(380,368)**	**-**	**(380,368)**	(33,684)	-	(33,684)
Receivables, net	**(2,233,343)**	**-**	**(2,233,343)**	218,661	-	218,661
Reinsurers' balances payable	**458,816**	**-**	**458,816**	248,850	-	248,850
Gross unearned premiums	**1,983,649**	**-**	**1,983,649**	711,887	-	711,887
Unearned commission income	**18,894**	**-**	**18,894**	4,751	-	4,751
Gross outstanding claims	**425,327**	**-**	**425,327**	(115,923)	-	(115,923)
Incurred but not reported claims reserve	**630,667**	**-**	**630,667**	220,891	-	220,891
Premium deficiency reserve	**(16,686)**	**-**	**(16,686)**	(22,124)	-	(22,124)
Reserve for takaful activities	**(511)**	**-**	**(511)**	(172)	-	(172)
Claims payable, accrued expenses and other liabilities	**515,391**	**13,946**	**529,337**	(711,368)	5,323	(706,045)
	1,072,178	**391,737**	**1,463,915**	774,360	193,160	967,520
Finance cost paid	**-**	**-**	**-**	(9,871)	-	(9,871)
Surplus paid to policyholders	**(4,372)**	**-**	**(4,372)**	(16,253)	-	(16,253)
Zakat paid	**-**	**(232,241)**	**(232,241)**	-	(14,779)	(14,779)
Defined benefits obligation paid	**(23,275)**	**-**	**(23,275)**	(13,048)	-	(13,048)
Net cash flows generated from / (used in) operating activities	**1,044,531**	**159,496**	**1,204,027**	745,059	178,381	923,440
Investing activities:						
Proceeds from sale of available-for-sale investments	**1,867,375**	**1,495,990**	**3,363,365**	1,064,852	661,285	1,726,137
Purchase of available-for-sale investments	**(478,818)**	**(1,608,688)**	**(2,087,506)**	(416,823)	(456,082)	(872,905)
Proceeds from maturity of mudaraba / murabaha deposits	**6,081,451**	**4,268,919**	**10,350,370**	3,114,990	4,106,967	7,221,957
Placement in mudaraba / murabaha deposits	**(8,040,059)**	**(4,433,465)**	**(12,473,524)**	(3,524,148)	(4,343,475)	(7,867,623)
Dividend and commission income received	**133,921**	**37,859**	**171,780**	81,633	55,782	137,415
Dividends received from equity accounted investments	**-**	**13,261**	**13,261**	-	13,690	13,690
Proceeds from disposal of property and equipment	**573**	**-**	**573**	-	-	-
Purchase of property, equipment and right of-use assets, net	**(46,211)**	**-**	**(46,211)**	(14,780)	-	(14,780)
Purchase of intangible assets	**(14,272)**	**(1,378)**	**(15,650)**	(13,938)	-	(13,938)
Net cash flows (used in) / generated from investing activities	**(496,040)**	**(227,502)**	**(723,542)**	291,786	38,167	329,953

32. SUPPLEMENTARY INFORMATION (Continued)

d) Consolidated Statement of cash flows (Continued)

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

33. RISK MANAGEMENT

(a) Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on treaty and facultative basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the consolidated statement of financial position as reinsurance assets.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligation to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligation assumed under such reinsurance arrangements.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Group manages these risk through the measures described above. The Group has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management.

Concentration of insurance risk

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

The Group also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Group evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Group.

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

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the consolidated statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

33. RISK MANAGEMENT (Continued)

(a) Insurance risk (Continued)

Process used to decide on assumptions

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

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

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

Sensitivity analysis

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

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

	Surplus from insurance operations	
Impact of change in claim ratio by + / - 10%	**2022**	2021
	SAR'000	
Medical	**254,773**	164,778
Medical –Umrah	**1,201**	140
Motor	**29,909**	29,128
Property and casualty	**12,635**	14,157
General Accident – Hajj & Umrah	**3,303**	240
Travel & COVID-19	**1,075**	2,011
Protection & Savings	**330**	275
	303,226	210,729

(b) Reinsurance risk

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

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

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

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

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

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

33. RISK MANAGEMENT (Continued)

(c) Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of investment management team supported by risk management team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. The Group maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

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

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

The Group has foreign currency transactions in respect of its insurance activities, available for sale investments and mudaraba / murabaha deposits which are predominantly conducted in USD and SAR. The Group is not exposed to its dealing in USD since SAR is pegged with USD. The transactions in currencies other than SAR and USD are not significant and accordingly the Group is not exposed to currency risk.

Commission Rate Risk
The Group invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Group is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 100 basis points in interest yields would result in a change in the profit for the year by SAR 4.4 million (2021: SAR 2.2 million).

The commission and non-commission bearing investments of the Group and their maturities as at December 31, 2022 and 2021 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance Operations		SAR'000		
2022				
Mudaraba / murabaha deposits	**3,659,231**	**-**	**-**	**3,659,231**
Available for sale investments	**-**	**-**	**121,726**	**121,726**
Cash and cash equivalents	**750,000**	**-**	**856,362**	**1,606,362**
Total	**4,409,231**	**-**	**978,088**	**5,387,319**
2021				
Mudaraba / murabaha deposits	1,291,465	-	-	1,291,465
Available for sale investments	-	242,359	1,776,305	2,018,664
Cash and cash equivalents	-	-	337,359	337,359
Total	1,291,465	242,359	2,113,664	3,647,488
Shareholders Operations				
2022				
Mudaraba / murabaha deposits	**2,244,521**	**-**	**-**	**2,244,521**
Available for sale investments	**-**	**485,002**	**451,613**	**936,615**
Cash and cash equivalents	**-**	**-**	**52,981**	**52,981**
Total	**2,244,521**	**485,002**	**504,594**	**3,234,117**
2021				
Mudaraba / murabaha deposits	1,843,467	-	-	1,843,467
Available for sale investments	-	501,379	498,523	999,902
Cash and cash equivalents	-	-	108,435	108,435
Total	1,843,467	501,379	606,958	2,951,804

33. RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

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

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

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's investments in underlying mutual funds amounting to SAR 17.5 million (2021: SAR 689 million) and underlying equities amounting to SAR 499 million (2021: SAR 336 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Group fund manager limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

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

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

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

(d) Credit Risk

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

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

33. RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

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

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

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

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. Approximately 99% (2021: approximately 99%) of the Group's underwriting activities are carried out in Saudi Arabia. The Group's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. For concentration of credit risk pertaining to receivables, refer note 13. The Group has significant exposure amounting to SAR 1.01 billion (2021: SAR 2.2 billion) classified as available for sale investments in Shariah Notes issued by Castle Investments Limited (Refer Note 8).

Credit risk exposure investments

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

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

33. RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

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

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

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

(e) Liquidity risk

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

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

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

33. RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

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

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

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

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

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

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

33. RISK MANAGEMENT (Continued)

(f) Operational Risk

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

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

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

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

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it is able to continue as a going concern and comply with the regulators' capital requirements of the markets in which the Group operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

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

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

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

35. REALIZED GAINS ON FINANCIAL ASSETS, NET

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

36. CONTINGENT LIABILITIES

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

The Group, in common with significant majority of insurers, is subject to litigation in the normal course of its business. Appropriate provisions have been made in relation to pending cases and management believes that finalization of these court cases is not expected to have a material impact on the consolidated financial statements.

37. DUE FROM SHAREHOLDERS/ DUE TO INSURANCE OPERATIONS

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

38. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE FIGURES

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

39. POST BALANCE SHEET EVENTS

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

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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