

**Trading Period:**

starts on Monday 24/09/1443H (corresponding to 25/04/2022G) and ends on Monday 08/10/1443H (corresponding to 09/05/2022G)

**Subscription Period:**

starts on Monday 24/09/1443H (corresponding to 25/04/2022G) and ends on Thursday 11/10/1443H (corresponding to 12/05/2022G)

Wataniya Insurance Company is a Saudi joint stock company established in accordance with Royal Decree no. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and resolution no. 330 of the Council of Ministers' dated 16/10/1430H (corresponding to 05/10/2009G) and Investment License no. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company operates under Commercial Registration no. 4030200981 (unified no. 7001629364) dated 01/06/1431H (corresponding to 15/05/2010G) issued in Jeddah and Saudi Central Bank license no. TMN/29/20106 dated 04/07/1431H (corresponding 16/06/2010G) to carry out insurance activity in accordance with the provisions of the Cooperative Insurance Companies Law and its implementing regulations.

Offering of twenty million (20,000,000) ordinary shares at an Offering Price of ten (10) Saudi Riyals per share through a capital increase of Wataniya Insurance Company from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals representing an increase of 100% through a Rights Issue.

Wataniya Insurance Company (hereinafter the "Company" or "Wataniya") is a Saudi public joint stock company established in accordance with Royal Decree no. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and resolution no. 330 of the Council of Ministers' dated 16/10/1430H (corresponding to 05/10/2009G) and Investment License no. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company operates under Commercial Registration no. 4030200981 (unified no. 7001629364) dated 01/06/1431H (corresponding to 15/05/2010G) issued in Jeddah. The Company's head office is located in Jeddah Medina Road, Juffali Building, P.O. Box 5832, Jeddah 21432, Kingdom of Saudi Arabia.

The Company obtained the Saudi Central Bank ("SAMA") license no. TMN/29/20106 dated 04/07/1431H (corresponding 16/06/2010G) to carry out insurance activity in accordance with the provisions of the Cooperative Insurance Companies Law and its implementing regulations.

The Company's current capital is two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares with a fully paid nominal value of ten (10) Saudi Riyals per share (referred to as the "Existing Shares"). The Company's Board of Directors recommended in its meeting convened on 09/02/1443H (corresponding to 16/09/2021G) to increase the Company's capital by two hundred million (200,000,000) Saudi Riyals (the "Capital Increase"), conditional on obtaining the necessary regulatory approvals and the Extraordinary General Assembly approval.

The Company also obtained the Saudi Central Bank's non-objection on the Capital Increase pursuant to letter 43028502 dated 01/04/1443H (corresponding to 06/11/2021G).

On 12/09/1443H (corresponding to 13/04/2022G) the Company's Extraordinary General Assembly approved the company's capital increase by way of a Rights Issue by offering twenty million (20,000,000) ordinary new shares ("Rights Issue Shares" or "New Shares") at an Offering Price of ten (10) Saudi Riyals per share ("Offering Price") and a nominal value of ten (10) Saudi Riyals per share, in order to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals, representing an increase of 100% (the "Offering").

The rights issue shares will be issued as tradable securities (referred to individually as the "Right" and collectively as the "Rights") to the shareholders who own shares at the end of the trading day of the Extraordinary General Assembly approving the Capital Increase and registered in the Company's register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the Capital Increase on 13/09/1443H (corresponding to 14/04/2022G) ("Eligibility Date") (each shareholder is referred to individually as "Registered Shareholder" and collectively as "Registered Shareholders"), and such Rights will be deposited in the Registered Shareholders portfolios after the Extraordinary General Assembly approving the Capital Increase, taking into account the settlement procedure of (1) right for every (1) share of the Company's share. Each Right gives its holder the right to subscribe to one New Share at the Offering Price.

Registered Shareholders and other investors (referred to as "New Investors") - who may trade the Rights and subscribe to the New Shares - will be able to trade and subscribe to the Rights Issue Shares in the Saudi Exchange ("Tadawul" or the "Exchange"). The Trading Period and Subscription Period start on Monday 24/09/1443H (corresponding to 25/04/2022G), with the Trading Period ending on Monday 08/10/1443H (corresponding to 09/05/2022G) (the "Trading Period") and the Subscription Period lasting up to Thursday 11/10/1443H (corresponding to 12/05/2022G) (the "Subscription Period"). It should be noted that the Trading Period and the Subscription Period will start on the same day, while the Trading Period will continue until the end of the sixth day of the beginning of the period, the Subscription Period will continue until the end of the ninth day of the beginning of the same period.

Registered Shareholders will be able to trade the Rights during the Trading Period by selling the acquired Rights or part thereof or buying additional Rights through the Exchange, and New Investors will also be able to buy Rights through the Exchange and sell Rights purchased during the Trading Period.

Subscription to the New Shares will be available during the Subscription Period in one phase as follows:

1. During this period, all Registered Shareholders and New Investors will be entitled to subscribe to the New Shares.
2. Registered Shareholders will be entitled to subscribe directly to the number of their shares or less than the number of their shares during the Subscription Period, and if they acquire New Rights, they will be able to subscribe to them after the end of the settlement period (two business days).
3. New Investors will be entitled to subscribe to the New Shares after the end of settlement period (two business days).
4. Subscription will be available electronically through the investment portfolios in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available at the broker.

In the event that any shares remain unsubscribed for at the end of the Subscription Period ("Rump Shares"), those shares will be offered at a minimum of the Offering Price to a number of Institutional Investors ("Institutional Investors") (this offering is referred to as the "Rump Offering"), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 am on Tuesday 16/10/1443H (corresponding to 17/05/2022G) until 5:00 pm on Wednesday 17/10/1443H (corresponding to 18/05/2022G), (the "Rump Offering Period"). Rump shares will be allocated to the Institutional Investors with

the highest bid, then the lowest and the lowest (provided it is not lower than the Offering Price). The shares will be allocated proportionately to the Institutional Investors submitting the same offer. As for Fractional Shares (if any), they will be added to the Rump Shares and treated similarly. The total Offering Price of the Rump Shares will be paid to the Company and the rest of the proceeds from the sale of those Rump Shares and the Fractional Shares (exceeding the Offering Price, if any) will be distributed without deducting any fees to the eligible persons who have not exercised their right to subscribe either in whole or in part, as well as holders of fractional shares, each according to what he may be entitled to no later than 03/11/1443H (corresponding to 02/06/2022G).

In the event that Institutional Investors have not subscribed in all the Rump Shares and Fractional Shares (if any), the remaining will be allocated to the Underwriters who will buy them at the Offering Price (please refer to Section 11 "Underwriter" and Section 13 "Information Concerning the Shares and Terms and Conditions of the Offer").

The final allocation of the New Shares will be announced no later than Sunday 21/10/1443H (corresponding to 22/05/2022G) ("Allocation Date") (please refer to Section 13 "Information Concerning the Shares and Terms and Conditions of the Offer"). Arab National Investment Company undertook to underwrite the entire Offering (please refer to Section 11 "Underwriter").

After Completion of the subscription process, the Company's capital will become four hundred million (400,000,000) Saudi Riyals divided into forty million (40,000,000) ordinary shares. The Net Offering Proceeds will be mainly used to support the Company's business while complying with the solvency requirements (please refer to Section 7 "Use of Offering Proceeds").

The Substantial Shareholders (owning directly 5% or more of the Company's capital) as of 15/02/2022G are SNIC Insurance B.S.C (who owns directly 27.5% of the Company's shares), Private Wealth Investment Holding Company (who owns directly 20% of the Company's shares), New Reinsurance Company Ltd (who owns directly 10% of the Company's shares) and E.A. Juffali and Brothers (who owns directly 5% of the Company's shares).

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

The Company was established with a capital of one hundred million (100,000,000) Saudi Riyals divided into ten million (10,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals fully paid. The Founding Shareholders subscribed to seven million (7,000,000) shares representing 70% of the Company's total number of shares and have fully paid them, while the remaining three million (3,000,000) shares representing 30% of the Company's total number of shares were offered to the public at ten (10) Saudi Riyals per share. The Company's shares were listed on the Saudi Exchange on 23/06/1431H (corresponding to 06/06/2010G). On 26/10/1437H (corresponding to 31/07/2016G), the Extraordinary General Assembly approved the increase of the Company's capital by one hundred million (100,000,000) Saudi Riyals by way of Rights Issue. After completion of the offering, the Company's capital reached two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) shares with a nominal value of ten (10) Saudi Riyals per share. On 12/09/1443H (corresponding to 13/04/2022G) the Extraordinary General Assembly approved to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by way of Rights Issue.

The number of shares listed as of the date of this Prospectus is twenty million (20,000,000) shares currently being traded in the Saudi Exchange. The Company has filed a request to the Capital Market Authority of Saudi Arabia ("CMA") to register and offer the New Shares and also submitted a request to Tadawul to accept their listing. All required documents have been submitted and all the requirements of the relevant parties have been fulfilled. The issuance of this Prospectus has been approved. The New Shares are expected to start being traded soon after the allocation thereof and the refund (please refer to page (xiii) of this Prospectus "Key Dates and Subscription Procedure"). Trading in the New Shares - after they are registered and accepted for listing - will be available to citizens of Saudi Arabia, legal residents therein, as well as GCC nationals and Saudi companies, banks, and Saudi investment funds, and GCC companies and institutions, as well as qualified foreign investors under the Investment Rules for eligible foreign financial institutions to invest in listed securities. In addition, other categories of foreign investors are entitled to the economic benefits associated with the New Shares through the conclusion of swap agreements with persons authorized by CMA ("Authorized Person"), knowing that the Authorized Person shall in such case be the registered legal owner of the Shares.

This Prospectus should be read in full and the "Important Notice" on page (i) and Section 2 "Risk Factors" should be considered carefully before making any investment decision related to the Rights or the New Shares.

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

This Prospectus is dated 05/08/1443H (corresponding to 08/03/2022G).

Financial Advisor, Lead Manager and Underwriter







## Important Notice

This Prospectus (the “**Prospectus**”) contains detailed information about Wataniya Insurance Company and the Right Issue Shares offered for subscription. When applying to subscribe for the New Shares, investors will be treated on the basis that their applications are based on the information contained in the Prospectus, a copy of which can be obtained from Company’s headquarters and from the Lead Manager or by visiting the websites of the Company(www.wataniya.com.sa), the Financial Advisor and Lead Manager (www.anbinvest.com.sa) and the Capital Market Authority (www.cma.org.sa).

The Prospectus shall be published and made available to the public within a period of not less than (14) days prior to the Extraordinary General Assembly on the capital increase. In the event that the Extraordinary General Assembly does not approve the capital increase within six (6) months of CMA’s approval of registering and offering the Rights Issue Shares, CMA’s approval shall be considered void.

The Company has appointed Arab National Investment Company as a financial advisor (“**Financial Advisor**”), lead manager (“**Lead Manager**”) and underwriter (“**Underwriter**”) in relation to the Rights Issue Offering to increase the Company’s capital under this Prospectus.

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

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

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

This Prospectus may not be considered as a recommendation by the Company or the Board of Directors or any of the Advisors thereof to participate in the Offering. The information contained in this Prospectus is of a general nature prepared without taking into account individual investment objectives, financial situation or special investment needs. Each recipient of this Prospectus shall be responsible for obtaining independent professional advice from a financial advisor licensed by CMA in respect to the Offering in order to assess the appropriateness of the investment opportunity and the information contained in this Prospectus with respect to his objectives, financial situation and needs.

Registered Shareholders and other public investors (“**New Investors**”) - who have the right to trade the Rights and subscribe to the New Shares - shall be able to trade and subscribe to the Rights Issue Shares in the Saudi Exchange during the Trading Period and the Subscription Period which will begin at the same time on Monday 24/09/1443H (corresponding to 25/04/2022G). The Trading Period shall end at the end of the sixth day on Monday 08/10/1443H (corresponding to 09/05/2022G) (“**Trading Period**”), whereas the Subscription Period shall last until the end of the ninth day on Thursday 11/10/1443H (corresponding to 12/05/2022G) (“**Subscription Period**”).

Registered Shareholders will be able to trade the Rights during the Trading Period by selling the acquired Rights or part thereof or buying additional Rights through the Exchange, and New Investors will also be able to buy Rights through the Exchange and sell Rights purchased during the Trading Period.



Subscription to the New Shares will be available during the Subscription Period in one phase as follows:

- 1- During this period, all Registered Shareholders and New Investors will be entitled to subscribe to the New Shares.
- 2- Registered Shareholders will be entitled to subscribe directly to the number of their shares or less than the number of their shares during the Subscription Period, and if they acquire New Rights, they will be able to subscribe to them after the end of the settlement period (two business days).
- 3- New Investors will be entitled to subscribe to the New Shares after the end of settlement period (two business days).
- 4- Subscription will be available electronically through the investment portfolios in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available at the broker.

In the event that any shares remain unsubscribed for at the end of the Subscription Period ("**Rump Shares**"), those shares will be offered at a minimum of the Offering Price to a number of Institutional Investors ("**Institutional Investors**") (this offering is referred to as the "**Rump Offering**"), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 am on Tuesday 16/10/1443H (corresponding to 17/05/2022G) until 5:00 pm on Wednesday 17/10/1443H (corresponding to 18/05/2022G), (the "**Rump Offering Period**"). Rump shares will be allocated to the Institutional Investors with the highest bid, then the lowest and the lowest. The shares will be allocated proportionately to the Institutional Investors submitting the same offer. As for Fractional Shares (if any), they will be added to the Rump Shares and treated similarly. The total Offering Price of the Rump Shares will be paid to the Company and the rest of the proceeds from the sale of those Rump Shares and the Fractional Shares (exceeding the Offering Price, if any) will be distributed without deducting any fees to the eligible persons who have not exercised their right to subscribe either in whole or in part, as well as holders of fractional shares, each according to what he may be entitled to no later than 03/11/1443H (corresponding to 02/06/2022G). The investor who did not subscribe for or sell his Rights, and the owners of Fractional Shares, may not get any compensation if the Rump Shares are sold at the Offering Price.

In the event that Institutional Investors have not subscribed in all the Rump Shares and Fractional Shares, the remaining will be allocated to the Underwriters who will buy them at the Offering Price (please refer to Section 11 "**Underwriter**" and Section 13 "**Information Concerning the Shares and Terms and Conditions of the Offer**"). The final allocation of the New Shares will be announced no later than Sunday 21/10/1443H (corresponding to 22/05/2022G) ("**Allocation Date**") (please refer to Section 13 "**Information Concerning the Shares and Terms and Conditions of the Offer**").

The Rights Issue Offering under this Prospectus is contingent on the Shareholders' approval and an invitation to hold an Extraordinary General Assembly shall be issued for approving the issuance of Rights Issue Shares on 12/08/1443H (corresponding to 15/03/2022G). Investors shall be aware that if the shareholders' approval on the Rights Issue Offering is not obtained, such Offering will automatically be void, and this Prospectus will be considered null and the shareholders will be notified accordingly.

The recipients of this Prospectus are required to inform themselves of, and observe, any regulatory and legal restrictions in relation to the subscription and sale of the New Shares.

## Financial Information

The financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the accompanying notes, and the unaudited interim condensed financial statements ending on June 30, 2021G and the notes attached thereto, have been prepared in accordance with the 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 Certified Public Accountants (SOCPA).

The financial statements for the period ending on December 31, 2018G and 2019G were audited by Ernst & Young & Company Public Accountant (Professional LLC) and El Sayed El Ayouty & Company Certified Accountants, while the financial statements ending on December 31, 2020G were audited and the interim condensed financial statements ended on 30 June 2021G by Ernst & Young & Company Public Accountant (Professional LLC) and PricewaterhouseCoopers Chartered Accountants. The Company issues its financial statements in Saudi Riyals.

## Forecasts and Forward-Looking Statements

The forecasts set forth in this Prospectus have been prepared based on specific, publicly announced assumptions. The Company's future circumstances may differ from the assumptions used, and therefore there is no assurance, warranty or commitment given as to the accuracy or completeness of any of these forecasts.

Some of the forecasts and statements in this Prospectus represent "**future projections and statements**" and may be inferred through the use of certain words that indicate the future such as "**will,**" "**may,**" "**plans,**" "**intends,**" "**proposes,**" "**estimates,**" "**believes,**" "**expects,**" "**it is expected,**" "**might,**" "**is possible,**" "**likely,**" or "**probable**" and the variants thereof and other similar terms in meaning. These projections and statements reflect the Company's current view of future events, but do not constitute a guarantee or assurance of any future actual performance of the Company. There are many factors that may affect the Company's actual performance, achievements or results leading to a significantly difference from the expected either explicitly or implicitly. The most significant risks and factors that could lead to this were reviewed in more detail in other sections of this Prospectus (please refer to Section 2 "**Risk Factors**"). In case that one or more of these risks is met, or if any of the projections and future statements in this Prospectus are incorrect or inaccurate, the actual results of the Company may differ materially from those anticipated, estimated, planned or assumed in this Prospectus.

Subject to the Rules on the Offer Securities and Continuing Obligations, the Company shall submit a supplementary Prospectus to the CMA, if it is informed at any time after CMA's approval of this Prospectus and before accepting and listing its shares on the Saudi Exchange (Tadawul) of any of the following:

- 1- An important change in the material matters contained in this Prospectus, or any document required under the Rules on the Offer Securities and Continuing Obligations; or
- 2- Any additional important issue that should have been included in the Prospectus.

Except for the abovementioned situations, the Company does not intend to update or modify any information, whether as a result of new information, future events or otherwise. As a result of the foregoing, risks, assumptions and other uncertainties, the projections of future events and circumstances described in this Prospectus may not occur as the Company expects or may not occur at all. Therefore, potential investors should examine all future statements in the light of these interpretations and should not rely on these future statements in the first place.



## Company's Directory

### The Company Board of Directors

Table No. (1): Company's Board of Directors

Board of Directors appointed on 20/08/1440H (corresponding to 25/04/2019G)*									
Name	Position	Represented Side	Nationality	Age	Membership status	Date of appointment	Shares owned**		
							Direct	Indirect *****	%
Hussein Saeed Akiel***	Chairman	-	Saudi	50	Non-Independent / Non-Executive	26/04/2019G	12,000	-	0.06%
Faisal Mohammed Charara***	Vice Chairman	SNIC Insurance B.S.C	Saudi	57	Non-Independent / Non-Executive	26/04/2019G	4,000	-	0.02%
Amin Mousa AlAfifi	Director	E.A. Juffali and Brothers	Saudi	62	Non-Independent / Non-Executive	26/04/2019G	-	-	0.00%
Bernd Aloys Kohn	Director	New Reinsurance Company Ltd.	Deutsch	51	Non-Independent / Non-Executive	26/04/2019G	-	-	0.00%
Haitham Habib AlBakree****	Managing director	-	Saudi	49	Non-Independent / Executive	06/10/2021G	1,500	-	0.01%
Nidal Mohammed Radawan	Director	-	Saudi	59	Independent / Non-Executive	26/04/2019G	10	-	0.00%
Rakan Amer AlHoshan	Director	-	Saudi	53	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Haitham Faruk Akhdar	Director	-	Saudi	51	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Raed Salman Sater	Director	-	Bahraini	52	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Taher Mohammed AlDabbagh*****	Director	-	Saudi	65	Non-Independent / Non-Executive	11/04/2021G	-	-	0.00%

Source: The Company

\* On 20/08/1440H (corresponding to 25/04/2019G), the Company's Ordinary General Assembly resolved to appoint the Board of Directors for a period of 3 years starting from 21/08/1440H (corresponding to 26/04/2019G) and ending on 24/09/1443H (corresponding to 25/04/2022G).

\*\* Ownership as of 15/02/2022G.

\*\*\* The Board of Directors appointed Dr. Hussein Saeed Akiel as Chairman (Non-Executive) and Mr. Faisal Mohammed Charara as Vice Chairman (Non-Executive). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

\*\*\*\* On 28/11/1442H (corresponding to 08/07/2021G), the Board of Directors appointed Mr. Haitham Habib AlBakree as Executive Director – Managing Director instead of Mr. Soren Craig Nikolajsen who submitted his resignation on 30/08/1442H (corresponding to 12/04/2021G). The Company obtained the Saudi Central Bank's non-objection on this appointment by email on 29/02/1443H (corresponding to 06/10/2021G), subject to obtaining the General Assembly approval in the next meeting to be held, the date of which will be announced later.

\*\*\*\*\* On 29/08/1442H (corresponding to 11/04/2021G), the Extraordinary General Assembly approved the Board recommendation on appointing Mr. Taher Mohammed AlDabbagh – Non-Executive Director from 19/03/1442H (corresponding to 05/11/2020G) to complete the current Board session until 24/09/1443H (corresponding to 25/04/2022G).

\*\*\*\*\* As of the date of this Prospectus, the Directors do not have any indirect ownership in the Company.

## Company's Address and Representatives

### Company Address

#### Wataniya insurance Company

Medina Road - Juffali Building  
 P.O. Box 5832 - Jeddah 21432  
 Kingdom of Saudi Arabia  
 Tel: +966 12 660 6200  
 Fax: +966 12 667 4530  
 Email: info@wataniya.com.sa  
 Website www.wataniya.com.sa

الوطنية للتأمين  
 Wataniya Insurance 

### Company's Representatives

#### Haitham Habib AlBakree

Managing Director and CEO  
 Medina Road - Juffali Building  
 P.O. Box 5832 - Jeddah 21432  
 Kingdom of Saudi Arabia  
 Tel: +966 12 272 8888  
 Fax: +966 12 667 4530  
 Email: h.albakree@wataniya.com.sa

#### Faisal Mohammed Charara

Vice Chairman  
 Medina Road, Juffali Building  
 P.O. Box 5832 - Jeddah 21432  
 Kingdom of Saudi Arabia  
 Tel: +966 12 667 2222  
 Fax: +966 12 669 4010  
 Email: jcofin2@ejjb.com.sa

## Stock Market

#### Saudi Exchange

King Fahd Road, Olaya 6897  
 Unit no. 15  
 Riyadh 12211 - 3388  
 Kingdom of Saudi Arabia  
 Tel: +966 11 92000 1919  
 Fax: +966 11 218 9133  
 Email: csc@saudiexchange.sa  
 Website: www.saudiexchange.sa

تداول السعودية  
 Saudi Exchange 



## Advisors

### Financial Advisor, Lead Manager and Underwriter

#### Arab National Investment Company

King Faisal Street  
Arab National Investment Company Building  
P.O. Box: 220009 - Riyadh 11311  
Kingdom of Saudi Arabia  
Tel: +966 11 406 2500  
Fax: +966 11 406 2548  
Email: Investment.Banking@anbinvest.com.sa  
Website: www.anbinvest.com.sa



### Issuer Legal Advisor

#### Mohammed M. Zarei & Khaled N. Al Hamdan Law Firm

Centria Building – 4th floor – Office 405 – Olaya street  
P.O. Box: 9629 – Jeddah 11423  
Kingdom of Saudi Arabia  
Tel: +966 11 228 8058  
Fax: +966 11 288 5405  
Email: info@zh-partners.com  
Website: www.zh-partners.com



### Financial Advisor, Lead Manager and Underwriter Legal Advisor

#### Abdulaziz AlAjlan & Co., Attorneys and Legal Advisors

Al Olayan Building – tower 2 – 3rd Floor  
Al Ahsa Street, Malaz  
P.O. Box: 69103 – Riyadh 11547  
Kingdom of Saudi Arabia  
Tel: +966 11 265 8900  
Fax: +966 11 265 8999  
Email: legal.advisors@legal-advisors.com  
Website: www.legal-advisors.com



**Auditors**

**Auditor**  
**for the financial years ending on December 31, 2018G, 2019G and 2020G and the six months period ending 30 June 2021G**

**Ernst & Young & Company Public Accountant (Professional LLC)**

King's Road Tower - 13th Floor - King Abdul Aziz Road  
 P.O. Box: 1994 - Jeddah 21441  
 Kingdom of Saudi Arabia  
 Tel: +966 12 221 8400  
 Fax: +966 12 664 4408  
 Email : ey.ksa@sa.ey.com  
 Website: www.ey.com



**Auditor**  
**for the financial years ending on December 31, 2020G and the six months period ending 30 June 2021G**

**PricewaterhouseCoopers Chartered Accountants**

Jamil Square - Tahliah Street  
 P.O. Box: 16415 - Jeddah 21464  
 Kingdom of Saudi Arabia  
 Tel: +966 12 610 4400  
 Fax : +966 12 610 4411  
 Email : mufaddal.ali@pwc.com  
 Website: www.pwc.com/me



**Auditor**  
**for the financial years ending on December 31, 2018G and 2019G**

**El Sayed El Ayouty & Company Certified Accountants**

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**El Sayed El Ayouty & Co.**  
 Certified Public Accountants

**Note:**

The above-mentioned Advisors submitted their written consent to include their names, logos and statements in the form and content included in this Prospectus. None of such approvals have been withdrawn until the date of this Prospectus.



## Summary of the Offering

This summary of the Offering is intended to provide a brief background of the information presented in this Prospectus. Therefore, this summary does not contain all information that may be of interest to shareholders and other general Institutional and Individual Investors. Accordingly, the recipients of this Prospectus must read it in full before making any investment decision to subscribe to or trade in Rights Issue Shares. In particular, it is necessary to take into account the “**Important Notice**” and Section 2 “**Risk Factors**” of this Prospectus. The following is a summary of the Offering:

<p><b>The Company</b></p>	<p>Wataniya Insurance Company is a Saudi public joint stock company established in accordance with Royal Decree no. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and resolution no. 330 of the Council of Ministers’ dated 16/10/1430H (corresponding to 05/10/2009G) and Investment License no. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company operates under Commercial Registration no. 4030200981 (unified no. 7001629364) dated 01/06/1431H (corresponding to 15/05/2010G) issued in Jeddah.</p> <p>The Company obtained the Saudi Central Bank license no. TMN/29/20106 dated 04/07/1431H (corresponding 16/06/2010G) to carry out insurance activity in accordance with the provisions of the Cooperative Insurance Companies Law and its implementing regulations.</p> <p>The Company’s head office is located in Jeddah Medina Road, Juffali Building, P.O. Box 5832, Jeddah 21432, Kingdom of Saudi Arabia.</p>																				
<p><b>Company’s Activities</b></p>	<p>In accordance with Article (3) of the Bylaws, the Company’s objectives are as follows: practicing cooperative insurance in the general insurance and protection and savings insurance. It may also exercise all necessary business activities to achieve its purposes. The Company shall carry out its own business activities in accordance with the Cooperative Insurance Companies Control Law and its Implemented Regulations, together with all laws and rules applicable in the Kingdom of Saudi Arabia, and after obtaining the necessary licenses from the relevant authorities, if any.</p>																				
<p><b>Substantial Shareholders</b></p>	<p>Persons who own 5% or more of the Company’s share capital. The following table shows the Substantial Shareholders ownership as of 15/02/2022G:</p> <table border="1" data-bbox="475 1070 1394 1279"> <thead> <tr> <th>#</th> <th>Shareholders</th> <th># of Shares pre- Offering</th> <th>Ownership pre- Offering</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>SNIC Insurance B.S.C</td> <td>5,500,000</td> <td>27.50%</td> </tr> <tr> <td>2</td> <td>Private Wealth Investment Holding Company</td> <td>4,000,000</td> <td>20.00%</td> </tr> <tr> <td>3</td> <td>New Reinsurance Company Ltd</td> <td>2,000,000</td> <td>10.00%</td> </tr> <tr> <td>4</td> <td>E.A. Juffali and Brothers *</td> <td>1,000,000</td> <td>5.00%</td> </tr> </tbody> </table> <p>Source: The Company</p>	#	Shareholders	# of Shares pre- Offering	Ownership pre- Offering	1	SNIC Insurance B.S.C	5,500,000	27.50%	2	Private Wealth Investment Holding Company	4,000,000	20.00%	3	New Reinsurance Company Ltd	2,000,000	10.00%	4	E.A. Juffali and Brothers *	1,000,000	5.00%
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<p><b>Nature of the Offering</b></p>	<p>Capital increase by way of Rights Issue.</p>																				
<p><b>Use of Offering Proceeds</b></p>	<p>It is expected that the Net Offering Proceeds will reach SAR 194.0 million, after deducting the Offering expenses amounting to SAR 6.0 million. The Net Offering Proceeds will be used to support the Company’s business while complying with the solvency requirements. It will be used in Financial Investment and the increase of the Statutory Deposit as required by the Saudi Central Bank. Shareholders will not receive any of the Offering Proceeds.</p> <p>The table below shows the suggested use of the Offering Proceeds:</p> <table border="1" data-bbox="475 1547 1394 1765"> <thead> <tr> <th>Description</th> <th>Value (million SAR)</th> <th>% of Total Offering Proceeds</th> </tr> </thead> <tbody> <tr> <td>Increase of the Statutory Deposit</td> <td>20</td> <td>10.0%</td> </tr> <tr> <td>General Business</td> <td>24</td> <td>12.0%</td> </tr> <tr> <td>Financial Investments</td> <td>150</td> <td>75.0%</td> </tr> <tr> <td>Expected Offering Expenses</td> <td>6</td> <td>3.0%</td> </tr> <tr> <td><b>Total Offering Proceeds</b></td> <td><b>200</b></td> <td><b>100.0%</b></td> </tr> </tbody> </table> <p>Source: The Company</p> <p>For additional information on the Use of Offering Proceeds, please refer to Section 7 “<b>Use of Offering Proceeds</b>”.</p>	Description	Value (million SAR)	% of Total Offering Proceeds	Increase of the Statutory Deposit	20	10.0%	General Business	24	12.0%	Financial Investments	150	75.0%	Expected Offering Expenses	6	3.0%	<b>Total Offering Proceeds</b>	<b>200</b>	<b>100.0%</b>		
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<b>Total Offering Proceeds</b>	<b>200</b>	<b>100.0%</b>																			

<b>Total proceeds obtained in the last rights issue</b>	Total proceeds obtained from the previous offering which was made in accordance with the Extraordinary General Assembly decision dated 26/10/1437H (corresponding to 31/07/2016G) amount to one hundred million (100,000,000) Saudi riyals. The table below shows a comparison between the suggested offering proceeds as shown in the prospectus dated 26/10/1437H (corresponding to 31/07/2016G) and the effective use of the proceeds.				
	Description	Suggested Use	Effective Use	Difference between Suggested and Effective	% Deviation from Suggested Use
		(SAR)	(SAR)	(SAR)	%
	Total offering proceeds	100,000,000	100,000,000	-	0.0%
	Offering expenses *	7,000,000	6,617,190	-382,810	-5.5%
	<b>Net offering proceeds</b>	<b>93,000,000</b>	<b>93,382,810</b>	<b>382,810</b>	<b>0.4%</b>
	Increase in statutory deposit	10,000,000	10,000,000	-	0.0%
	Financial investments **	70,000,000	77,077,890	7,077,890	10.1%
	Expenses related to replacement of existing information system ***	10,000,000	6,304,920	-3,695,080	-37.0%
Expenses related to restructuring certain work processes at the Company ****	3,000,000	-	-3,000,000	-100.0%	
Source: The Company					
* The deviation is due to the fact that the offering expenses were lower than expected.					
** Due to the deviation in replacement of existing information system and restructuring certain work processes at the Company.					
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<b>Material changes to the information disclosed in the last prospectus</b>	The Company's latest prospectus was published on 26/10/1437H (corresponding to 31/07/2016G). To view the material changes to the information disclosed in the last prospectus, please refer to Subsection 10.12 "Material Changes since CMA approval on the last Rights Issue Prospectus" of Section 10 "Legal Information".				
<b>Company's capital before the Offering</b>	Two hundred million (200,000,000) Saudi Riyals.				
<b>Total number of current and issued shares Prior to the Offering</b>	Twenty million (20,000,000) ordinary shares.				
<b>Nominal value of the share</b>	Ten (10) Saudi Riyals per share.				
<b>Capital Increase</b>	Increasing the Company's share capital by two hundred million (200,000,000) Saudi Riyals from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals.				
<b>Total number of shares offered</b>	Twenty million (20,000,000) ordinary shares.				
<b>Percentage of increase in share capital</b>	100.0%.				
<b>Offering Price</b>	Ten (10) Saudi Riyals per share.				
<b>Total Offering value</b>	Two hundred million (200,000,000) Saudi Riyals.				
<b>Adjusted Price</b>	The Company's share price on the Saudi Exchange has been adjusted to SAR 20.48 per share by the end of trading day of the Extraordinary General Assembly approving the Capital Increase. This represents a decrease in the share price by SAR 10.48 per share.				
<b>Number of Rights issued</b>	Twenty million (20,000,000) Rights.				
<b>Number of shares underwritten</b>	Twenty million (20,000,000) ordinary shares.				
<b>Total value of underwritten shares</b>	Two hundred million (200,000,000) Saudi Riyals.				

<b>Total number of shares post Offering</b>	Forty million (40,000,000) shares.
<b>Company's capital post Offering</b>	Four hundred million (400,000,000) Saudi Riyals.
<b>Offering Expenses</b>	The Company will bear all the costs associated with the Offering, which is estimated to be around 6.0 million Saudi Riyals. These expenses will be deducted from the Offering Proceeds amounting to 200 million Saudi Riyals. These expenses include the expenses and fees of the Financial Advisor, Legal Advisor, Lead Manager, Underwriter, in addition to the advertising and printing expenses and other expenses related to the Offering. These costs are estimated and not final.
<b>Registered Shareholders</b>	Shareholders at the end of the trading day of the Extraordinary General Assembly approving the Capital Increase who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the Capital Increase on 13/09/1443H (corresponding to 14/04/2022G).
<b>New Investors</b>	All investors, whether individuals or Institutional Investors - other than Registered Shareholders - who have purchased Rights during the Trading Period.
<b>Target Investors</b>	Registered Shareholders and New Investors.
<b>Public</b>	In the Rules on the Offer of Securities and Continuing Obligations, Public means the persons other than the following: <ol style="list-style-type: none"> <li>1- Affiliates of the issuer.</li> <li>2- Substantial shareholders of the issuer.</li> <li>3- Directors and senior executives of the issuer.</li> <li>4- Directors and senior executives of affiliates of the issuer.</li> <li>5- Directors and senior executives of substantial shareholders of the issuer.</li> <li>6- Any relatives of the persons in (1, 2, 3, 4 or 5) above.</li> <li>7- Any Company controlled by any person in (1, 2, 3, 4, 5, or 6) above.</li> <li>8- Persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.</li> </ol>
<b>Rights</b>	Tradeable securities that grant the holder the right to subscribe to the New Shares after the Capital Increase is approved, it is a right acquired by all Registered Shareholders. The Rights may be traded during the Trading Period. Each Right grants its holder eligibility to subscribe to one New Share at the Offering Price. The Rights will be deposited within two business days following the Extraordinary General Assembly approving the Capital Increase. The Rights will appear in the Registered Shareholders portfolios under a new code designated for Rights.
<b>New Shares</b>	Twenty million (20,000,000) ordinary shares that will be issued as a result of the Capital Increase.
<b>Eligibility Factor</b>	Each shareholder shall be entitled to one (1) Right for each share he owns. This factor is the result of dividing the number of New Shares by the number of existing shares of the Company.
<b>Eligibility Date</b>	Shareholders at the end of the trading day of the Extraordinary General Assembly approving the Capital Increase who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the Capital Increase on 13/09/1443H (corresponding to 14/04/2022G).
<b>Trading Period</b>	The Trading Period starts on Monday 24/09/1443H (corresponding to 25/04/2022G) and lasts up to Monday 08/10/1443H (corresponding to 09/05/2022G). During this period, all Rights holders, whether Registered Shareholders or New Investors, may trade Rights.
<b>Subscription Period</b>	The Subscription Period starts on Monday 24/09/1443H (corresponding to 25/04/2022G), and lasts up to Thursday 11/10/1443H (corresponding to 12/05/2022G). During this period, all Rights holders, whether Registered Shareholders or New Investors, may exercise their rights to subscribe for the New Shares.
<b>Rump Shares</b>	The Rump Shares, if any, are the shares that remain unsubscribed during the Subscription Period.
<b>Rump Offering</b>	In the event that any shares remain unsubscribed for at the end of the Subscription Period ("Rump Shares"), those shares will be offered at a minimum of the Offering Price to a number of Institutional Investors ("Institutional Investors"), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 am on Tuesday 16/10/1443H (corresponding to 17/05/2022G) until 5:00 pm on Wednesday 17/10/1443H (corresponding to 18/05/2022G). Rump shares will be allocated to the Institutional Investors with the highest bid, then the lowest and the lowest. The shares will be allocated proportionately to the Institutional Investors submitting the same offer. As for Fractional Shares (if any), they will be added to the Rump Shares and treated similarly.

<b>Eligible Persons</b>	All Rights holders, whether Registered Shareholders or New Investors who have purchased Rights during the Trading Period.
<b>Payment of compensation (if any)</b>	Cash compensation will be paid to Eligible Persons who have not fully or partially exercised their right to subscribe in the New Shares and to those who are entitled to fractional shares by Thursday 03/11/1443H (corresponding to 02/06/2022G) (please refer to Section 13 " <b>Information Concerning the Shares and Terms and Conditions of the Offer</b> "). Note that the amounts of compensation represent the remaining proceeds of the sale of the Rump Shares and fractional shares (the amount over the Offering Price) of the Rump Offering.
<b>Listing and Trading of Rights</b>	Tadawul is preparing mechanisms to regulate Rights trading in its systems, and a separate Rights symbol will be designated, distinct from the symbol used for the Company's existing shares on Tadawul's interface. During the Trading Period, the shareholders have several options, including selling the Rights or any part thereof in the Exchange, purchasing additional Rights through the Exchange or abstaining from taking any action on the Rights Issue Shares either by selling them or purchasing additional Rights. During the Trading Period, New Investors will have the right to buy Rights in the Exchange, or sell it all or in part, or take no action on Rights acquired during the Trading Period. "Tadawul" system will void the Company's Rights symbol after the end of the Trading Period, and the trading of Rights will cease upon the end of this period.
<b>Subscription method</b>	Eligible Persons wishing to subscribe for the New Shares must apply electronically through electronic broker sites and platforms that offer this service to subscribers or through any other mean offered by the brokers.
<b>Subscriptions to rights</b>	Eligible Persons are entitled to subscribe for Rights Issue Shares electronically through the electronic websites and platforms of brokers that provide these services for subscribers or through any other means provided by brokers. Eligible Persons can also exercise their Rights as follows: 1- Registered Shareholders shall be entitled during the Subscription Period to exercise the Rights granted to them on the Eligibility Date and any additional Rights they have purchased during the Trading Period. They are also entitled to take no action on the Rights they own. 2- During the Subscription Period, New Investors have the right to exercise the Rights they have purchased during the Trading Period. They are also entitled to take no action on the Rights they own. In the event that neither the Registered Shareholders nor the New Investors exercise their rights to subscribe for the New Shares during the Subscription Period, the shares associated with such rights shall be offered in the Rump Offering Period.
<b>Indicative value of the Right</b>	The indicative value of the Right is the difference between the market value of the Company's shares during the Trading Period and the Offering price. Tadawul will calculate and publish the indicative value of the Right during the Trading Period, on its website, five (5) minutes late. Market information providers will also publish this information, so that investors can see the indicative value of the Right when entering orders.
<b>Right trading price</b>	It is the price at which the Right is traded. This price is determined by the market supply and demand mechanism, and therefore may differ from the indicative value of the Right.
<b>Allocation Date</b>	Shares will be allocated no later than 21/10/1443H (corresponding to 22/05/2022G).
<b>Allocation of New Shares</b>	The shares will be allocated to each investor based on the number of Right properly and fully exercised. Fractional shares, (if any) will be added together and offered to the Institutional Investors during the Rump Offering Period. The Company will receive the total Offering price of the sale of the Rump Shares and Fractional Shares. The rest of the proceeds (the amount over the Offering Price, if any) will be distributed to those who have not fully or partially subscribed for the New Shares and to the persons entitled to Fractional Shares (please refer to Section 13 " <b>Information Concerning the Shares and Terms and Conditions of the Offer</b> ").
<b>Refund of excess funds</b>	Excess Funds (if any) will be returned to subscribers without any commissions or deductions by the Lead Manager. The Surplus (if any) will be refunded no later than Thursday 03/11/1443H (corresponding to 02/06/2022G).
<b>Trading of New Shares</b>	The New Shares will start being traded in Tadawul after completion of all procedures related to the registration, allocation and listing of the New Shares.
<b>New Shares dividends</b>	The New Shares will be entitled to any profits announced by the Company after the date of their issuance.
<b>Voting rights</b>	Each shareholder shall have one vote for each share in the General Assemblies and the cumulative vote shall be used in the election of the Board of Directors. The meetings of the General Assembly may be held and the participation of the shareholder in its deliberations and voting on its decisions may be allowed by means of modern technology in accordance with the regulations established by the competent authority.



<b>Restrictions imposed on the Shares</b>	The Company's shares were listed the Saudi Exchange on 23/06/1431H (corresponding to 06/06/2010G). Accordingly, the lock-up period of three full fiscal years, each of which is not less than twelve months, for the Founding Shareholders has elapsed. Therefore, all the Company's shares can be traded in accordance with the rules, regulations and instructions issued by the CMA. However, the Founding Shareholders must obtain the approval of the Saudi Central Bank and the Capital Market Authority before disposing of their shares.
<b>Restrictions imposed on the Rights</b>	There are no restrictions imposed on subscribing for the Rights Issue Shares
<b>Previously Listed Shares</b>	<ul style="list-style-type: none"> <li>On 23/06/1431H (corresponding to 06/06/2010G), the Company listed ten million (10,000,000) ordinary shares on the Saudi Exchange where it offered three million (3,000,000) shares to the Public.</li> <li>On 26/10/1437H (corresponding to 31/07/2016G), the Extraordinary General Assembly approved the increase of the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals by issuing ten million (10,000,000) rights issue shares.</li> </ul>
<b>Risk Factors</b>	Investment in this Rights Issue Shares involves certain risks, and these risks can be classified into: (i) risks related to the Company's activities, (ii) risks related to the market and industry, and (iii) risks related to the New Shares (please refer to Section 2 " <b>Risk Factors</b> ").
<b>Terms and conditions of Rights Issue Shares subscription</b>	Eligible Persons wishing to subscribe must meet the relevant subscription requirements. The Company reserves the right to refuse any subscription form offered (in whole or in part) that has not fulfilled all the subscription requirements and conditions. To review the terms and conditions of the Offering, please refer to Section 13 " <b>Information Concerning the Shares and Terms and Conditions of the Offer.</b> "

Note: The "**Important Notice**" and Section 2 "**Risk Factors**" contained in this Prospectus must be read carefully before making any investment decision in the Rights Issue shares in accordance with this Prospectus.

## Key Dates and Subscription Procedure

Table No. (2): Expected timeline for the Offering

Event	Date
Date of the Extraordinary General Assembly approving the Capital Increase and setting the Eligibility Date and Eligible Shareholders. Eligible Shareholders are the shareholders who own shares at the end of the trading day of the Extraordinary General Assembly and are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly.	Day Wednesday 12/09/1443H (corresponding to 13/04/2022G)
Trading Period	The Trading Period starts on day Monday 24/09/1443H (corresponding to 25/04/2022G) and ends on Monday 08/10/1443H (corresponding to 09/05/2022G). During this period, all Rights holders may trade Rights, whether they are Registered Shareholders or New Investors.
Subscription Period	The Subscription Period starts on Monday 24/09/1443H (corresponding to 25/04/2022G), and lasts until the end of Thursday 11/10/1443H (corresponding to 12/05/2022G). During this period all Rights holders, whether they are Registered Shareholders or New Investors, may exercise their right to subscribe for new shares.
Date of end of the Subscription Period	Thursday 11/10/1443H (corresponding to 12/05/2022G).
Rump Offering Period	From 10:00 am on Tuesday 16/10/1443H (corresponding to 17/05/2022G) until 5:00 pm on Wednesday 17/10/1443H (corresponding to 18/05/2022G).
Final Allocation Notice	Sunday 21/10/1443H (corresponding to 22/05/2022G).
Payment of Compensation if (any) for Eligible Persons who did not participate in the subscription in whole or in part and for those who are eligible for fractional shares (if any)	Compensation will be paid (if any) no later than Thursday 03/11/1443H (corresponding to 02/06/2022G).
Trading date of the New Shares	The shares offered for subscription will be traded upon completion of all relevant regulatory procedures. It will be announced later on Tadawul website ( <a href="http://www.saudiexchange.sa">www.saudiexchange.sa</a> ).

Note: All dates listed in the above table are approximate. Actual dates will be announced on Tadawul website ([www.saudiexchange.sa](http://www.saudiexchange.sa)).

## Key Announcements Dates

Table No. (3): Key Announcements Dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the invitation to the Extraordinary General Assembly on the Capital Increase	The Company	Day Tuesday 12/08/1443H (corresponding to 15/03/2022G)
Announcement of the Extraordinary General Assembly on the Capital Increase result	The Company	Day Thursday 13/09/1443H (corresponding to 14/04/2022G)
Announcement of the amendment of the share price of the Company, the deposit of the Rights and the indicative value of the Right	Tadawul	Day Thursday 13/09/1443H (corresponding to 14/04/2022G)
Announcement of the Trading Period and Subscription Period	The Company	Day Thursday 13/09/1443H (corresponding to 14/04/2022G)
Announcement on adding the Rights of Wataniya	Edaa	Day Tuesday 18/09/1443H (corresponding to 19/04/2022G)
Announcement of commencement of Trading Period and Subscription Period	The Company	Day Monday 24/09/1443H (corresponding to 25/04/2022G)
A reminder about the last day of trading of the Rights and the importance of selling the Rights for those who do not wish to subscribe	The Company	Day Monday 08/10/1443H (corresponding to 09/05/2022G)
Announcement of: <ul style="list-style-type: none"> <li>Subscription Results</li> <li>Details of the sale of Rump Shares (if any) and the commencement of the Rump Offering Period</li> </ul>	The Company	Day Sunday 14/10/1443H (corresponding to 15/05/2022G)
Announcement of the results of the Rump Offering and notice of final allocation	The Company	Day Sunday 21/10/1443H (corresponding to 22/05/2022G)
Announcement of the deposit of the New Shares in the investors' portfolios	Edaa	Day Wednesday 24/10/1443H (corresponding to 25/05/2022G)
Announcement regarding distribution of the compensation amounts (if any)	The Company	Day Thursday 03/11/1443H (corresponding to 02/06/2022G)

Note: All dates listed in the above table are approximate. Actual dates will be announced on Tadawul website ([www.saudiexchange.sa](http://www.saudiexchange.sa)).

## How to apply for Subscription

Subscription to the Rights Issue Shares is limited to Eligible Persons, whether they are Registered Shareholders or New Investors. In the event that the Rights of Eligible Persons are not exercised, any Rump Shares that were not subscribed for by Eligible Persons will be offered to Institutional Investors during the Rump Offering Period.

Subscription Applications must be submitted through the investment portfolio on the trading platforms through which purchase and sell orders are filed in addition to the possibility of subscription through any other channels provided by the broker or custodian of shares.

The Company reserves the right to reject any application for the New Shares subscription in whole or in part, if it does not comply with any of the conditions or requirements of the subscription. The Subscription Application may not be amended or withdrawn upon its submission, and the Application shall constitute a binding contract between the Company and the Eligible Person (please refer to Section 13 “**Information Concerning the Shares and Terms and Conditions of the Offer**”).

## FAQs about the Rights Issue Mechanism

### What is a Rights Issue?

It is a tradable security that gives its holder the right to subscribe for the new shares offered upon the approval of the capital increase. This is an acquired right of all shareholders holding shares at the end of trading on the date of the extraordinary general assembly approving the capital increase and who are registered in the company's shareholders register at the Depository Center at the end of the second trading day after the extraordinary general assembly approving the capital increase. Each right gives the holder eligibility of subscription for one new share, at the offer price.

### Who is granted the Rights?

All shareholders registered in the company's register at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.

### When are the Rights deposited?

This will take place within two days from the date of the extraordinary general assembly on the capital increase, and will be listed in the shareholders' portfolios under a new symbol. These rights will only be traded or subscribed to at the beginning of the Trading and Subscription Period.

### How is the registered shareholder notified of the deposit of Rights in the portfolio?

The registered shareholder shall be notified through the announcements on Tadawul website, as well as through Tadawulat service provided by the Securities Depository Center and SMS messages sent by brokerage companies.

### How many Rights will the registered shareholder receive?

The number depends on the subscription eligibility factor and the number of shares held by the registered shareholder according to the shareholders register at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.

### What is the Eligibility factor?

It is the ratio based on which the registered shareholder can know the number of rights due to him in return for the shares he holds on the date of the extraordinary general assembly. This factor is calculated by dividing the number of new shares by the number of the company's issued shares. Therefore, the eligibility factor is one right for every share owned by the registered shareholder on the eligibility date. Accordingly, if a registered shareholder owns one thousand (1,000) shares on the eligibility date, he will be allocated one thousand (1,000) rights.

### Will the name and trading symbol of the Rights vary from the name and symbol of the Company's shares?

Yes, rights will be deposited in the investors' portfolios under the original name, adding the Rights Issue term as well as a new symbol for these rights.

### What is the value of the Rights at the beginning of trading?

The opening price will be the difference between the closing price of the company's shares on the day prior to the inclusion of the rights and the offering price. For example (using hypothetical prices), if the closing price of the previous day was twenty-four (24) Saudi Riyals and the offering price is ten (10) Saudi Riyals, then the opening price for the Rights at the beginning of trading is seventeen (17) Saudi Riyals.

### Who is a registered shareholder?

Any shareholder owning shares at the end of trading on the day of the extraordinary general assembly approving the capital increase, and registered in the company's shareholders registry at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.



### Can registered shareholders subscribe to additional shares?

Registered shareholders can subscribe to additional shares through the purchase of new rights during the Trading Period and then subscribing through them during the Subscription Period after the purchase and settlement of the rights.

### Is it possible for shareholders to lose their subscription eligibility even if they have the right to attend the extraordinary general assembly on the capital increase through issuing new shares?

Yes, shareholders will lose their subscription eligibility if they sell their shares on the day of the extraordinary general assembly approving the capital increase or one working day before.

### How is the subscription process implemented?

The subscription process is implemented, as is currently being done, through submitting subscription applications during the Subscription Period through the investment portfolio on the trading platforms through which the purchase and sell orders are filed. In addition to the possibility of subscription through any other means provided by the broker.

### If the company's shares are held by more than one investment portfolio, which portfolio shall be used for depositing rights?

Rights will be deposited in the same portfolio where the company's rights-related shares are deposited. For example, if a shareholder owns (1,000) shares in the company, eight hundred (800) shares in portfolio (A) and two hundred (200) shares in portfolio (B), the total amount of rights to be deposited is (1,000) rights, on the basis that each share has one right, therefore eight hundred (800) rights shall be deposited in portfolio (A) and two hundred (200) rights shall be deposited in portfolio (B).

### Do share certificate holders have the right to subscribe and trade?

Yes, holders of share certificates are allowed to subscribe. However, they will not be able to trade unless share certificates are deposited in investment portfolios through brokers or Depository Center at the Saudi Exchange as well as bringing all required documents, before the end of the Subscription Period.

### If the new shares are subscribed to and the rights are sold, then what happens in this case?

If a registered shareholder subscribed for new shares and then sells the rights without purchasing a number of rights equal to the number of exercised rights he/she subscribed in before the end of the Trading Period, then the subscription application will be rejected entirely, if all the rights have been sold, or partially in an amount equal to the number of sold rights. The registered shareholder will be notified and the value of the rejected subscription will be refunded through the recipient entity.

### Is it permissible for those who bought additional rights to trade them again?

Yes, they are entitled to sell and buy other rights during the Trading Period only.

### Is it possible to sell part of these rights?

Yes, the investor can sell part of these rights and subscribe to the remaining part.

### When can a shareholder subscribe to the rights they purchased during the Trading Period?

At any time during the Subscription Period, i.e. until the ninth day (9), after settlement of the purchase of Rights (two business days).

### Can the holder of rights sell or assign the right after the expiration of the Trading Period?

No, it is not possible. After the expiry of the Trading Period, the eligible person will only be entitled to exercise the right to subscribe to the share capital increase or not exercise it. In the absence of exercising the right, the investor may be vulnerable to loss or decline in the value of his investment portfolio.

### What are the Trading Period and the Subscription Period?

Trading Period and Subscription Period commence on the same day until the end of the Trading on the sixth day, while the Subscription Period continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

### What happens to the rights that have not been sold or exercised during the Subscription Period?

The remaining shares arising from the failure to exercise or sell these rights shall be offered in the Rump Offering Period organized by the Lead Manager according to the criteria specified in this Prospectus.

### Who has the right to attend the extraordinary general assembly and to vote on the capital increase through the Rights Issue Offering?

Shareholders registered in the Company's Register at the Depository Center at the end of the second trading day following the extraordinary general assembly shall have the right to attend the extraordinary general assembly and vote on the capital increase through the rights issue offering.

### When will the share price be adjusted as a result of the capital increase through the rights issue offering?

The share price is adjusted by the market before the start of trading on the day following the extraordinary general assembly.

### If an investor purchases securities on the day of the extraordinary general assembly on the capital increase, is he entitled to obtain the rights resulting from the capital increase?

Yes, as the investor will be registered in the company's shareholders registry two business days from the date of purchasing the shares (that is, at the end of the second trading day following the day of the extraordinary general assembly approving the capital increase), taking into consideration that the rights issue will be granted to all shareholders registered in the company's shareholders registry at the end of the second trading day following the date of the extraordinary general assembly approving the capital increase.

### If an investor has more than one portfolio with more than a brokerage company, how will his rights be calculated?

The investor's share will be distributed to the portfolios owned thereby, according to the percentage of ownership in each portfolio. If there is any fraction, the fractions will be added together and if they came to a whole number, that number is added to the portfolio in which the investor has the largest number Rights.

### Is it possible to subscribe during the weekend?

No, it is not possible.

### Can public investors other than those registered shareholders subscribe to the rights issue shares?

Yes, after completing the purchase of the Rights through the market during the Trading Period.

#### Further Assistance:

In the event of any inquiries, please contact the Company on the e-mail: [info@wataniya.com.sa](mailto:info@wataniya.com.sa) and for legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to provide advice on the merits of issuing rights or even provide financial, tax, legal or investment advice. For more information on the Subscription terms, conditions and instructions, please refer to Section 13 "**Information Concerning the Shares and Terms and Conditions of the Offer**".





## Summary of Key Information

This summary is a brief overview of the key information included in this Prospectus. As a summary, it does not contain all the information that may be of interest to shareholders and other general institutional and individual investors. Recipients of this Prospectus should read it in full before making an investment decision regarding the Rights or the New Shares.

### Company's Overview

Wataniya Insurance Company (hereinafter the "**Company**" or "**Wataniya**") is a Saudi public joint stock company established in accordance with Royal Decree no. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and resolution no. 330 of the Council of Ministers' dated 16/10/1430H (corresponding to 05/10/2009G) and Investment License no. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company operates under Commercial Registration no. 4030200981 (unified no. 7001629364) dated 01/06/1431H (corresponding to 15/05/2010G) issued in Jeddah. The Company's head office is located in Jeddah Medina Road, Juffali Building, P.O. Box 5832, Jeddah 21432, Kingdom of Saudi Arabia.

The Company obtained the Saudi Central Bank ("**SAMA**") license no. TMN/29/20106 dated 04/07/1431H (corresponding to 16/06/2010G) to engage in the business of general insurance and protection and savings insurance, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The license was successfully renewed for a period of three years on 23/02/1443H (corresponding to 30/09/2021G) that starts on 03/07/1443H (corresponding to 04/02/2022G) and ends on 02/07/1446H (corresponding to 02/01/2025G).

The Company conducts its activities in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations and other laws and instructions in force in the Kingdom of Saudi Arabia under the supervision of the Saudi Central Bank. The Company offers General and Protection and Savings Insurance.

The Company's products include: Motor Insurance, Marine Insurance, Engineering Insurance, Accident and Liability Insurance, Property Insurance, Extended Warranty Insurance, and Life Insurance.

### Major changes in the Company's capital

The Company was established with a capital of one hundred million (100,000,000) Saudi Riyals divided into ten million (10,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals fully paid. The Founding Shareholders subscribed to seven million (7,000,000) shares representing 70% of the Company's total number of shares and have fully paid them, while the remaining three million (3,000,000) shares representing 30% of the Company's total number of shares were offered to the public at ten (10) Saudi Riyals per share. The Company's shares were listed on the Saudi Exchange on 23/06/1431H (corresponding to 06/06/2010G).

On 26/06/1436H (corresponding to 15/04/2015G), the Board of Directors recommended to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals, where it has obtained the Saudi Central Bank's non-objection pursuant to the letter no. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G).

On 26/10/1437H (corresponding to 31/07/2016G), the Extraordinary General Assembly approved the increase of the Company's capital by one hundred million (100,000,000) Saudi Riyals by way of Rights Issue. After completion of the offering, the Company's capital reached two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) shares with a nominal value of ten (10) Saudi Riyals per share.

On 09/02/1443H (corresponding to 16/09/2021G), the Board of Directors recommended to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals, conditional on obtaining the necessary regulatory approvals and the Extraordinary General Assembly approval. The Company obtained the Saudi Central Bank's non-objection on the Capital Increase from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by way of Rights Issue pursuant to letter 43028502 dated 01/04/1443H (corresponding to 06/11/2021G) subject to fulfilling all regulatory requirements.

On 12/09/1443H (corresponding to 13/04/2022G) the Extraordinary General Assembly approved to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by way of Rights Issue.

## Company's Vision

Embodying humanity and believing in enlightenment, the Company empowers its resources to personalize security to their clients.

## Company's Mission

On the basis of its legacy and expertise, the Company strives to amaze while developing its human and technological capabilities solving complexities in a harmonious environment.

## Company's Strategy

- Maintaining, appointing and training professional cadres in all major disciplines.
- Maintaining a balanced portfolio of risks.
- Maintaining policy renewal rates of up to 90%.
- Providing outstanding after-sales services to customers, through claims management and customer services.
- Developing the sales team.
- Providing insurance services to customers and providing the best technical and digital solutions using the latest applications and technologies.
- Complying with all local regulations and requirements.
- Maintaining a profitable portfolio by constantly reviewing the loss rates of all clients and taking appropriate action.
- Expanding personal and sales insurances through electronic applications.
- Following social distancing instructions and maintain a safe work environment for all stakeholders.

## Company's Values

- Client centric
- Establishing an environment of teamwork
- Transparency
- Operational excellence
- Employing modern technologies

## Company's Philosophy

The Company firmly believes that good client service is the most important factor that determines its success in the insurance business. Accordingly, the staff is trained to handle policyholders' inquiries and claims, and is positioned to exceed the clients' expectations on personal and professional levels. This is evident in the high client retention ratio.

## Company's Strengths & Competitive Advantage

- Experienced and skilled management team
- A wide range of integrated insurance solutions to meet customer requirements
- A wide range of insurance services and products
- Reinsurance agreements with highly rated reinsurers
- Diverse shareholder base
- High rates of renewal of insurance policies
- Stable credit rating over previous years





## Market Overview

### Overview of the Saudi Arabian Insurance industry<sup>1</sup>:

The insurance industry in the Kingdom was not regulated until 2003G. Most insurance companies in the Kingdom were branches and representative offices of offshore-registered companies, most of which were headquartered in Bahrain. In 2003G, the Cooperative Insurance Law was approved by Royal Decree M/32 dated 02/06/1424H (corresponding to 31/7/2003G). Pursuant to the Law, the Saudi Central Bank was appointed to act as a regulator and the body in charge of oversight of the insurance industry in the Kingdom of Saudi Arabia.

The Saudi Central Bank is keen on improving and developing every aspect that contributes to the growth of the insurance sector in order to achieve the objectives of Saudi Vision 2030. Some of the Saudi Central Bank's efforts in this respect include raising awareness of the social and economic importance of insurance and updating laws, regulations and instructions.

For the purpose of developing the insurance sector and bolstering its capabilities to face risks and keep up with the economic growth of Saudi Arabia, the Saudi Central Bank is encouraging insurance companies to increase their capital through mergers and acquisitions. Mergers contribute to enhancing the competitiveness of the insurance sector by creating large competitive insurance entities.

As of the date of this Prospectus, the Saudi insurance market consists of 29 insurance companies listed in the Saudi Exchange as well as specialized free professions companies to support insurance services. The insurance sector in the Kingdom witnessed two successful mergers in 2020G and one in 2021G.

### Highlights of the Saudi Insurance Sector<sup>2</sup>:

The insurance sector in KSA can be divided into three main sectors: Medical Insurance, General Insurance, and Protection and Savings insurance. General Insurance can be divided into 7 business lines: Motor insurance, Property and Fire Insurance, Accident and Liability insurance, Engineering Insurance, Energy Insurance, Marine Insurance, and Aviation Insurance.

It should be noted that Medical Insurance is mandatory for private sector establishments and Third-Party Motor Insurance is mandatory for its owners in KSA.

Medical Insurance including the compulsory and noncompulsory remained the largest line of business in 2020G, accounting for 58.9% of the total GWPs in KSA, followed by the General Insurance sector and the Protection and Savings Insurance sector at rates of 37.9% and 3.3% of total GWPs, respectively. Motor Insurance stood in the second place with a 21.6% share of total GWPs in 2020G.

The insurance sector in KSA witnessed an increase in GWPs by 2.3% in 2020G to reach SAR 38.8 billion, compared to SAR 37.9 billion in 2019G. This growth came as a result of the increase in:

- General Insurance by 2.8%, where GWPs increased from SAR 14.3 billion in 2019G to SAR 14.7 billion in 2020G.
- Medical Insurance by 1.6%, where GWPs increased from SAR 22.5 billion in 2019G to SAR 22.8 billion in 2020G.
- Protection and Savings Insurance by 11.3%, where GWPs increased from SAR 1.1 billion in 2019G to SAR 1.3 billion in 2020G.

Central region remained the highest in GWP capturing 50% of total GWPs in 2020G, followed by the Western and Eastern regions with 31% and 16% of total GWPs, respectively.

<sup>1</sup> 57th Annual Report of the Saudi Central Bank

<sup>2</sup> Insurance Market Report 2020G of the Saudi Central Bank

## Summary of Risk Factors

There are a number of risks related to the Rights Issue Offering. Potential investors should carefully consider all the information in this Prospectus, including in particular the risk factors detailed in Section 2, “**Risk Factors**”, before making any investment decision on the Rights or the New Shares. These risks are summarized in three main groups:

### 1- Risks related to the Company’s activities

- Risks related to inadequate capital and minimum capital requirements
- Risks related to failure to obtain and review the required licenses, permits and certificates
- Risks related to sanctions and penalties and suspension of business by the competent entities
- Credit risks
- Risks related to the inability to implement the strategy
- Risks related to credit rating
- Risks related to claims management process
- Risks related to transactions with related parties
- Risks related to business concentration in the motor insurance sector
- Risks related to inadequacy of provisions and reserves
- Risks related to contingent liabilities
- Risks related to the current situation of Zakat and income tax
- Risks associated with foreign capital in the company
- Risks related to contracts with third parties
- Risks related to litigation
- Risks related to reinsurance
- Risks related to reinsurance concentration
- Risks related to reliance on non-Saudi employees
- Risks related to the protection of trademarks
- Risks related to governance
- Risks related to anti-money laundering and counter terrorism financing regulations
- Risks related to reliance on brokers and agents
- Risks related to risk management policies
- Risks related to miscalculation of risks
- Risks related to investment
- Risks related to financial performance
- Risks related to dependence on key personnel and attraction of competencies
- Risks related to cancellation or non-renewal of insurance policies
- Risks related to translation of insurance policies
- Risks related to access to adequate financing
- Risk related to operating systems and information technology
- Risks related to disasters and Business interruption
- Risks related to non-compliance with the quality standards and specifications required by customers
- Risks related to the increase in the Company’s liabilities
- Risks related to cheating in insurance usage and claims and other fraudulent activities
- Risks related to the outbreak of the COVID-19 pandemic
- Risks related to the Company’s reputation
- Risks related to employee misconduct





## 2- Risks related to the market and industry

- Risks related to compliance with laws and regulations
- Risks related to the economic performance of the Kingdom
- Risks related to political and economic instability in the Middle East
- Risks related to non-compliance with existing laws and regulations and/or issuance of new laws and regulations
- Risks related to withdrawal of license to undertake insurance activities
- Risks related to government fees applicable to non-Saudi employees
- Risks related to adjustments to accounting for Zakat and income tax by the Saudi Central Bank
- Risks related to competition
- Risks related to cultural awareness of insurance and its importance
- Risks related to reporting requirements
- Risks related to approvals for new products or renewal of existing ones
- Risks related to compliance with Saudization and GOSI requirements
- Risks related to Value-added Tax (VAT)
- Risks related to compliance with official laws and instructions
- Risks related to the decline of client confidence
- Risks related to the lack of qualified local personnel
- Risks related to insurance market growth
- Risks related to lack of control over prices
- Risks related to the regulatory environment
- Risks related to the insurance business cycle
- Risks related to currency exchange rates

## 3- Risks related to the New Shares

- Risks related to potential volatility in share price
- Risks related to potential fluctuations in the price of the Rights Issue
- Risks related to unprofitability or sale of Rights
- Risks of trading in rights issues
- Risks related to lack of demand for the Company's Shares and Rights
- Risks related to dilution of ownership
- Risks related to failure to exercise the Rights in a timely manner
- Risks related to potential issuance of New Shares
- Risks related to dividends
- Risks related to forward-looking statements
- Risks related to suspension of trading or cancellation of the Company's shares due to not publishing the financial statements within the statutory period

## Summary of Financial Information

The summary of the financial statements and the table of key performance indicators should be read in conjunction with the audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the unaudited interim condensed for the six-month period ending on June 30, 2021G and the accompanying notes.

**Table No. (4): Key Performance Indicators**

	Financial Year ended 31 December			Six months ended 30 June	
	2018G	2019G	2020G	2020G	2021G
Cession Ratio	39.8%	41.7%	39.2%	40.8%	39.3%
Loss Ratio	66.4%	74.3%	63.2%	56.9%	74.8%
Retention Ratio	59.1%	56.6%	58.9%	57.1%	58.4%
Expense Ratio	33.4%	24.3%	37.0%	43.8%	38.2%
Combined Ratio	98.2%	98.7%	99.1%	100.0%	112.9%
Gross Premiums Written Growth	23.1%	3.2%	6.9%	0.75%	10.9%

Source: The Company

**Table No. (5): Summary of Statement of Income**

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June	
	2018G (au- dited)	2019G (au- dited)	2020G (au- dited)	2020G (un- audited)	2021G (unau- dited)
Gross Premiums Written	712,324	735,044	785,881	482,462	535,180
Net Premiums Written	420,669	415,706	462,980	275,513	312,582
Net Premiums Earned	373,063	410,078	417,662	204,702	237,603
Total Revenues	446,393	486,436	473,368	235,770	262,128
Total Underwriting Cost and Expenses	336,400	372,995	337,104	155,868	222,831
Net Underwriting Income	109,993	113,441	136,264	79,902	39,297
Net Total Other Operating Expenses	-87,207	-87,146	-118,572	-72,747	-64,899
Net Income / (Loss) Before Allocation	22,786	26,295	17,692	7,155	-25,602
Net Income / (Loss) Attributed to the Policyholder	-2,353	-2,512	-2,468	-1,153	-
Net Income / (Loss) Attributable to Shareholders Before Zakat and Income Tax	20,433	23,783	15,224	6,002	-25,602
Net Income / (Loss) Attributable to Shareholders	13,560	18,438	7,838	1,401	-27,572

Source: The Company and the Financial Statements

**Table No. (6): Summary of Statement of Financial Position**

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June	
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (unaudited)	
Total Assets	1,076,002	1,565,691	1,594,728	1,791,505	
Total Liabilities	836,427	1,307,421	1,328,896	1,553,513	
Total Shareholders' Equity	239,575	258,270	265,832	237,992	
Total Liabilities and Shareholders' Equity	1,076,002	1,565,691	1,594,728	1,791,505	

Source: The Company and the Financial Statements

**Table No. (7): Summary of Cash Flow Statement**

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June	
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (unaudited)	2021G (unaudited)
Net income / (loss) for the year attributable to shareholders before zakat and income tax	20,433	23,783	15,224	6,002	-25,602
Net income / (loss) from operating activities	76,820	51,928	30,499	85,633	58,552
Net cash used in investing activities	-22,319	-21,281	-304,473	-6,734	-69,656
Cash and cash equivalents at the end of the year/period	324,060	354,707	80,733	433,606	69,629

Source: The Company and the Financial Statements

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# 1. Terms and Definitions

The table below lists the terms and definitions used in the Prospectus:

**Table No. (8): Terms and Definitions**

Term	Definition
The Company or Wataniya or the Issuer	Wataniya Insurance Company, a Saudi joint stock company.
The Board or Board of Directors or Board Members Management	The Company’s Board of Directors whose names appear on page (iv).
Subscription or Offering	The senior management of the Company. Offering of twenty million (20,000,000) ordinary shares of the Company’s share capital at a nominal value of ten (10) Saudi Riyals per share, through the issuance of Rights Issue Shares representing an increase in the Company’s share capital of two hundred million (200,000,000) Saudi Riyals, accounting for 100% of the Company’s capital.
Offer Price	Ten (10) Saudi Riyals per share
Current Shares	Twenty million (20,000,000) ordinary shares with a fully paid nominal value of ten (10) Saudi Riyals per share.
Rights Issue Shares, New Shares, Subscription Shares or Offered Shares	Twenty million (20,000,000) new ordinary shares issued by the Company.
Kingdom	Kingdom of Saudi Arabia.
SAR	Saudi Riyal, the local currency of the Kingdom of Saudi Arabia.
Gulf Cooperation Council countries or the GCC	Kingdom of Saudi Arabia, Sultanate of Oman, United Arab Emirates, State of Kuwait, State of Qatar and Kingdom of Bahrain.
Share	A share from the Company’s fully paid up with a nominal value of ten (10) Saudi Riyals.
Eligibility Date	The end of the second trading day following the Extraordinary General Assembly approving the Capital Increase.
The General Assembly	General Assembly of the Company’s shareholders that are held in accordance with the Companies Law, the Company’s Bylaws. It may be ordinary or extraordinary.
Ordinary General Assembly	Ordinary general assembly of the Company’s shareholders.
Extraordinary General Assembly	Extraordinary general assembly of the Company’s shareholders.
Extraordinary General Assembly on the Capital Increase	The Extraordinary General Assembly of the Company held to approve the increase of the Company’s share capital from four two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through the issuance of Rights Issue Shares.
Extraordinary General Assembly approving the Capital Increase	The Extraordinary General Assembly of the Company that agreed to increase the Company’s capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through the issuance of rights issue shares.
Shareholder	The owner or holder of shares as of any specified date
Substantial Shareholders	Shareholders who own directly 5% or more of the Company’s shares, as of 15/02/2022G: <ul style="list-style-type: none"> <li>• SNIC Insurance B.S.C: ownership of 27.5%</li> <li>• Private Wealth Investment Holding Company: ownership of 20.0%</li> <li>• New Reinsurance Company Ltd: ownership of 10.0%</li> <li>• E.A. Juffali and Brothers: ownership of 5.0%</li> </ul>
Registered Shareholders	Shareholders at the end of the trading day of the Extraordinary General Assembly approving the Capital Increase, who are registered in the Company’s shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the Capital Increase.
New Shareholders	All investors, including both individual and institutional investors - other than Registered Shareholders - who have purchased Rights during the Trading Period.



Term	Definition
Founding Shareholders	<p>The founding shareholders are:</p> <ul style="list-style-type: none"> <li>• SNIC Insurance B.S.C (formerly Saudi National Insurance Company B.S.C)</li> <li>• Alawwal Bank (that was acquired by Saudi British Bank)</li> <li>• New Reinsurance Company Ltd.</li> <li>• E.A. Juffali and Brothers</li> <li>• Hatem Ali Aljuffali</li> <li>• Waleed Ali Aljuffali</li> <li>• Khaled Suliman Alolayan</li> <li>• Mohammed Salahaddine Abduljawad</li> <li>• Faisal Mohammed Charara</li> </ul>
Trading Period	<p>The Trading Period starts on Monday 24/09/1443H (corresponding to 25/04/2022G) and lasts up to Monday 08/10/1443H (corresponding to 09/05/2022G). During this period, all Rights holders, whether Registered Shareholders or New Investors, may trade Rights.</p>
Subscription Period	<p>The Subscription Period starts on Monday 24/09/1443H (corresponding to 25/04/2022G), and lasts up to Thursday 11/10/1443H (corresponding to 12/05/2022G). During this period, all Rights holders, whether Registered Shareholders or New Investors, may exercise their rights to subscribe for the New Shares.</p>
Rump Offering Period	<p>The period that starts from 10:00 am on Tuesday 16/10/1443H (corresponding to 17/05/2022G) until 5:00 pm on Wednesday 17/10/1443H (corresponding to 18/05/2022G).</p>
Listing	<p>Listing securities in the main market or - where the context of the text so dictates - submitting a listing request to the Exchange.</p>
Eligible Persons	<p>All Rights holders, whether Registered Shareholders or New Investors who have purchased Rights during the Trading Period.</p>
Institutional Investors	<p>Include a set of institutions as follows:</p> <ol style="list-style-type: none"> <li>1- Government entities and Government owned companies, whether investing directly or through a portfolio manager, or any international entity recognized by the CMA, the Exchange, or any other financial market recognized by the CMA, or the Depository Center.</li> <li>2- Public investment funds established in KSA and that have undergone public offering in addition to the private funds that invest in listed securities in the Saudi Exchange, if the fund's terms and conditions are in compliance with the provisions and restrictions stipulated in the Investment Funds Regulations.</li> <li>3- Persons authorized to deal in securities as a principal in compliance with capital adequacy requirements.</li> <li>4- Clients of a person authorized to conduct management business, provided that such an authorized person has been appointed on such terms as shall enable him to take the decisions regarding agreeing to participate in the Offering and invest in the Saudi Exchange on behalf of the Client without the need for prior approval.</li> <li>5- Any other legal persons eligible to open an investment account in the Kingdom of Saudi Arabia and an account with the Depository Center, taking into consideration the rules and regulations that apply on investment by listed companies in securities, provided that the company's participation does not cause any conflict of interest.</li> <li>6- Gulf investors with legal personality, including companies and funds established in the GCC countries.</li> <li>7- Qualified foreign investors.</li> <li>8- The legal beneficiary in a swap agreement concluded with an authorized person, in accordance with the terms and regulations of the swap agreements.</li> </ol>
Rump Shares	<p>The shares that remained unsubscribed after the Subscription Period.</p>
Rump Offering	<p>The rump shares will be offered to a number of Institutional Investors by offering them during the Rump Offering Period.</p>

Term	Definition
Trading Rights	Eligible Persons may trade (1) Right for every one (1) share of the Company's shares whether sold or purchased in the Saudi Exchange.
Subscriber	Each eligible shareholder who subscribes to or submits an application to subscribe for the Rights Issue Shares in accordance with the terms and conditions of the Company's share issuance.
Offering Proceeds	Total value of shares subscribed.
Net Offering Proceeds	Net offering proceeds after deducting the offering expenses.
Prospectus	The current prospectus prepared by the Company in relation to the Offering.
Government	The Government of the Kingdom of Saudi Arabia.
Capital Market Authority or CMA	The Capital Market Authority of Saudi Arabia.
Tadawul or the Exchange	The Saudi Exchange, the automated trading system for the Saudi stock.
Saudi Central Bank or SAMA	The Saudi Central Bank (formerly the Saudi Arabian Monetary Agency), which is the body responsible for supervising the financial sectors in the Kingdom of Saudi Arabia, such as banks, insurance companies, leasing companies, exchange institutions and credit information companies.
Saudi Central Bank Licenses	The License granted to the company from the Saudi Central Bank.
Securities Depository Center / Depository Center	A closed joint stock company incorporated in 2016G under the Saudi Companies Law and wholly owned by the Saudi Exchange.
Ministry of Commerce	Ministry of Commerce and Investment in the Kingdom of Saudi Arabia.
Ministry of Investment	Ministry of Investment, formerly known as General Investment Authority.
Ministry of Municipal, Rural Affairs and Housing	Ministry of Municipal, Rural Affairs and Housing in the Kingdom of Saudi Arabia.
Zakat, Tax and Customs Authority or ZATCA	Zakat, Tax and Customs Authority, formerly known as the General Authority of Zakat and Income Tax.
Bylaws	The Company's Bylaws.
Companies Law	The Companies Law in the Kingdom of Saudi Arabia, issued pursuant to Royal Decree no. (M/3), dated 28/01/1437H (corresponding to 10/11/2015G), which came in force on 25/07/1437H (corresponding to 02/05/2016G), and amended by Royal Decree no. (M/79), dated 25/07/1439H (corresponding to 11/04/2018G).
Capital Market Law	The Capital Market Law issued pursuant to Royal Decree no. M/30 dated 02/06/1424H (corresponding to 01/08/2003G), and amended by Resolution of the Board of the Capital Market Authority no. 1-104-2019 dated 01/02/1441H (corresponding to 30/09/2019G).
Foreign Investment Law	It is the Foreign Investment Law issued by Royal Decree no. M/1 dated 15/01/1421H (corresponding to 20/04/2000G) and Cabinet Resolution no. M/1 dated 05/01/1421H (corresponding to 10/04/2000G).
Implementing Regulations of the Foreign Investment Law	It is the Implementing Regulation of the Foreign Investment Law issued by the Board of Directors no. (1/20) dated 13/04/1423H (corresponding to 06/03/2012G).
Implementing Regulations	The Implementing Regulations of the Cooperative Insurance Companies Control Law issued pursuant to Ministerial Resolution no. (1/561) dated 01/03/1425H (corresponding to 21/04/2004G).
Insurance Law or Cooperative Insurance Companies Control Law	Cooperative Insurance Companies Control Law issued pursuant to Royal Decree no. M/32 dated 02/06/1424H (corresponding to 31/07/2003G).
Corporate Governance Regulations	The Corporate Governance Regulation issued by the Capital Market Authority pursuant to Resolution no. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) pursuant to the Companies Regulations issued by Royal Decree no. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by a Resolution of The Board of the Capital Market Authority no. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).

Term	Definition
Rules for Offering Securities and Continuing Obligations	The Rules for Offering Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution no. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), based on the Companies Law issued by Royal Decree no. M/30 dated 02/06/1424 H, as amended by Decision of the Board of the Capital Market Authority no. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Listing Rules	Listing rules issued by the Saudi Exchange Group and approved by the Capital Market Authority Board Decision no. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), and amended by Resolution no. 1-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
Financial statements	The financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the accompanying notes, and the unaudited interim condensed financial statements ending on June 30, 2021G and the notes attached thereto, prepared in accordance with the 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 Certified Public Accountants (SOCPA).
Value Added Tax (VAT)	On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers approved the unified agreement of the value added tax of the GCC, which came into force as of 01/01/2018G, as a new tax to be added to the system of taxes and other fees that should be applied by certain sectors in the Kingdom and in the GCC. VAT has been set at 5%. A number of products such as basic foods, services related to health care and education were 4 exempted from the said tax. The Board of Directors of the General Authority for Zakat and Income no. (20-3-2) dated 17/10/1441H (corresponding to 09/06/2020G) decided to amend the value-added tax system to become 15% starting from 01/07/2020G, and that with its authorities based on the fifth article of the organization of the General Authority for Zakat and Income issued by Cabinet Resolution no. (465) dated 20/7/1438H and after perusal of Royal Decree no. A/638 dated 15/10/1441H, issued regarding the amendment of the value-added tax system to allow the increase of the basic tax rate to 15% starting from the 1st of July 2020G.
Financial year	The Financial year ending on December 31 of each Gregorian year.
Business Day	Any business day except Fridays and Saturdays and any official holiday in the Kingdom of Saudi Arabia or any day during which banking institutions are closed, under the applicable laws and other governmental procedures.
Labor Law	The Saudi Labor Law issued by Royal Decree no. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), amended by Royal Decree no. M/134 dated 27/11/1440H (corresponding to 29/07/2019G).
H	The Hijri Calendar.
G	The Gregorian Calendar.
Insurance	A contractual mechanism whereby risk burdens are assessed and transferred by classifying and aggregating them.
Insured	Natural or legal person who concludes insurance contract.
Reinsurance	The process through which the insurance company or the reinsurer insures or reinsures another insurer or reinsurer against all or part of the insurance or reinsurance risks.
Reinsurer	Reinsurance Company that accepts insurance contracts from another insurance company for all or some of the risks incurred thereby.
Insurance Agent	A legal person acting against a commission who negotiates with the existing or potential insured in order to attract and negotiate insurance contracts.
Najm	Najm for Insurance Services.
Cession Ratio	Reinsurance Premiums Ceded / Gross Premiums Written
Retention Ratio	Net Premiums Written / Gross Premiums Written
Loss Ratio	Net Claims Incurred / Net Premiums Earned

Term	Definition
Credit Ratings	An opinion on the level of creditworthiness of a party or the level of creditworthiness of a security, using symbols, letters, numbers, or any other form.
Standard & Poor's (S&P)	Standard & Poor's (S&P), is an American credit rating company that develops indices to measure the performance of financial markets in various international markets, as well as providing specialized analysis and research services for many companies listed in the global markets.
A.M. Best	A.M. Best is a US credit-rating agency, focusing on the insurance industry around the world.
Moody's	Moody Agency is a US agency specialized in economic research, financial analysis, and evaluation of private and government institutions in terms of financial and credit strength.
Fitch Ratings	Fitch Ratings is a US credit-rating agency.
Insurance policy	A legal document or contract issued by the company to the insured, stating the terms of the contract for the insured against the loss and damage covered by the document in return for a premium paid by the insured.
Gross Premiums Written	Total premiums of subscribed insurance contracts during a specified period without deducting the assigned premiums.
Reinsurance Premiums Ceded	The premiums assigned to reinsurance companies within the context of reinsurance operations.
Net Premiums Written	The premiums retained with the insurance company after deducting the premiums assigned to the reinsurance companies from the total insurance premiums written.
Solvency Margin	The extent to which the company's assets convertible into cash exceed its liabilities.
International Financial Reporting Standards (IFRS)	A set of accounting standards and their interpretations issued by the International Accounting Standards Board.
Compound annual growth rate	A method used to calculate the growth rate of a particular item over a specified period of time.
Financial advisor	Arab National Investment Company.
Lead Manager	Arab National Investment Company.
Underwriter	Arab National Investment Company.
Legal advisor	Mohammed M. Zarei & Khaled N. Al Hamdan Law Firm.
Advisors	The Company's advisors on the Offering, whose names are listed on pages (vi) and (vii) of this Prospectus.
Underwriting agreement	The underwriting agreement between the Company and the Underwriter.
Risk factors	It is a set of potential factors that must be known and hedged before deciding to subscribe or trade in the rights issue. A set of potential factors that must be well identified and prepared for prior to a decision to subscribe or trade in the Rights Issue Shares.
Nationalization or Saudization	Labor regulations in the Kingdom of Saudi Arabia, which require companies operating in the KSA to employ a certain percentage of Saudis.
Nitaqat	A program from the Ministry of Human Resources and Social Development to motivate organizations to employ Saudi labor force. The program has been approved under resolution no. (4040), dated 12/10/1432H (corresponding to 10/09/2011G), based on the Council of Ministers Resolution no. (50), dated 21/05/1415H (corresponding to 27/10/1994G). The program evaluates the performance of the organization based on specified Nitaqat (platinum, green, yellow and red), in accordance with the activity and sector under which the organization is registered. The Nitaqat Program was amended under resolution no. (63717), dated 29/03/1441H (corresponding to 26/11/2019G), which eliminated the yellow range in the Nitaqat program.
Vision 2030	The national strategic economic program that aims at reducing dependence on oil and petrochemicals, diversifying the Saudi economy, and developing public services.



Term	Definition
Related parties	<p>In the Rules on the Offer of Securities and Continuing Obligations, means the persons other than the following:</p> <ol style="list-style-type: none"> <li>1- Affiliates of the issuer.</li> <li>2- Substantial shareholders of the issuer.</li> <li>3- Directors and senior executives of the issuer.</li> <li>4- Directors and senior executives of the affiliates of the issuer.</li> <li>5- Directors and senior executives of substantial shareholders of the issuer.</li> <li>6- Any relatives of the persons in (1, 2, 3, 4 or 5) above.</li> </ol> <p>Any Company controlled by any person in (1, 2, 3, 4, 5, or 6) above</p>
Public	<p>In the Rules on the Offer of Securities and Continuing Obligations, Public means the persons other than the following:</p> <ol style="list-style-type: none"> <li>1- Affiliates of the issuer.</li> <li>2- Substantial shareholders of the issuer.</li> <li>3- Directors and senior executives of the issuer.</li> <li>4- Directors and senior executives of affiliates of the issuer.</li> <li>5- Directors and senior executives of substantial shareholders of the issuer.</li> <li>6- Any relatives of the persons in (1, 2, 3, 4 or 5) above.</li> <li>7- Any Company controlled by any person in (1, 2, 3, 4, 5, or 6) above.</li> </ol> <p>Persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.</p>
Corona	Covid-19 pandemic

## 2. Risk Factors

All prospective investors should carefully consider all the information contained in this Prospectus specially the risk factors described below before taking any investment decision regarding the Rights or New Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter, as there could be other risks currently unknown to the Company, which could materially and adversely affect the Company's operations if any of them materialize.

Board Members further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by shareholders as of the date of this Prospectus, except as disclosed in this Section.

An investment in the Rights Issue Shares is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from such an investment. Prospective investors who have doubts about subscription should refer to a financial advisor licensed by the CMA for counsel on such investments.

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

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

### 2.1 Risks related to the Company's activities

#### 2.1.1 Risks related to inadequate capital and minimum capital requirements

Pursuant to Articles (66) and (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank, insurance companies must maintain certain levels of solvency for different types of business. According to Paragraph (a) clause (2) of Article (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company shall restore, in a period not exceeding the next financial quarter, its solvency margin when it falls between the ranges of 75% and 100% of the required solvency margin. According to Paragraph (d) clause (2) of Article (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, if the required solvency margin is not restored to its appropriate level, the company will be required by the Saudi Central Bank to take a series of actions to rectify its situation, including:

- 1- Increase the Company's capital
- 2- Amend product prices
- 3- Decrease costs
- 4- Stop underwriting new policies
- 5- Liquidate certain assets
- 6- Any other action deemed appropriate to the Company and approved by the Saudi Central Bank

The Company's solvency margin was 140.8% as at 31 December 2018G, 125.2% as at 31 December 2019G, 118.7% as at 31 December 2020G, and 97.3% as at 30 June 2021G. Therefore, the Company's Board of Directors recommended, in its meeting held on 09/02/1443H (corresponding to 16/09/2021G), increasing the Company's capital through a rights issue offering of two hundred million (200,000,000) Saudi Riyals after obtaining the necessary regulatory approvals and the Extraordinary General Assembly approval. The Company obtained the Saudi Central Bank's non-objection on the Capital Increase pursuant to letter 43028502 dated 01/04/1443H (corresponding to 06/11/2021G).

The Company is working to increase its capital by way of rights issue in order to reach and maintain the solvency level required by the Saudi Central Bank (please refer to Subsection 7.2 "Use of Net Offering Proceeds" of Section 7 "Use of Offering Proceeds").

If the Company is unable to satisfy the solvency requirements within the time-frame set by the Saudi Central Bank, the Saudi Central Bank may solicit the appointment of an advisor (to provide advice as necessary) or otherwise withdraw the license of the Company and prevent it from selling its insurance products, which could have a material adverse impact on the Company's business, results of operations, financial position, and future prospects.





## 2.1.2 Risks related to failure to obtain and review the required licenses, permits and certificates

The Company is required to obtain and maintain the necessary regulatory licenses, permits and approvals in relation to its activities. Such licenses include but are not limited to: the Saudi Central Bank license, commercial registrations, product licenses granted by the Saudi Central Bank, Ministry of Municipal Rural Affairs and Housing license, General Department of Civil Defense permits, Company registration certificate issued by the Ministry of Commerce, Chambers of Commerce membership certificates, trademark registration certificates, Saudization certificates, Zakat certificates, and social insurance certificates. Most of the Company's licenses, permits and certificates are governed by requirements under which the licenses, permits, certificates and approvals may be suspended or terminated if the Company fails to meet and comply with such requirements.

In addition, the Company obtained a license from the Ministry of Investment as the Company includes foreign investors, including the Swiss New Reinsurance Company Ltd which owns 10.0%, and the Bahraini SNIC Insurance B.S.C (which owns 27.5%) (please refer to Subsection 3.3 "**Substantial Shareholders**" of Section 3 "**Company's Background and Nature of Business**"), which makes it a company with a foreign capital. The Company will also be required to file a request to amend its Ministry of Investment license in specific cases, including in the case of any change to its capital.

As of the date of this Prospectus, the Company has not obtained permits from the Civil Defense for the branches it operates (please refer to Subsection 10.6 "**Government Approvals, Licenses and Certificates**" of Section 10 "**Legal Information**"). Failure by the Company to obtain Civil Defense licenses for one of its branches or to renew an expired Civil Defense license may expose the Company to a fine of up to thirty thousand (30,000) Saudi Riyals or the suspension of some of its activities.

If the Company is unable to renew the license or obtain the licenses necessary for its business, if it does not renew, suspends, or let any of its current licenses expire, if the licenses are renewed under terms that do not serve the Company's interest, or if the Company fails to obtain additional licenses required in the future, this could lead to disrupting the Company's operations and incurs it additional expenses, and could have a material negative impact on the Company's business, results of operations, financial position, and future prospects.

## 2.1.3 Risks related to sanctions and penalties and suspension of business by the competent entities

Considering that the Company's business is subject to several laws and instructions issued by the Saudi Central Bank, CMA, and a number of other government entities, the Company is subject to sanctions and penalties if it fails to comply with any of the laws, regulations, and instructions or delays the satisfaction of any of them. The Company could be exposed to a number of sanctions and penalties by the Saudi Central Bank, CMA, and other entities, including suspending all or some of its activities and its share trading which would have a material adverse impact on its business, financial position, and prospects.

It should be noted that a number of fines were imposed on the Company during the past two years:

- A fine of SAR 15,000 imposed by the Saudi Central Bank in 2020G due to the Company not having a clear and documented policy for measuring internal fraud, which is in violation of Article 29 of the Anti-fraud Regulations.
- A fine of SAR 15,000 imposed by the Saudi Central Bank in 2020G due to the Company not having an emergency plan for fighting small and large fraud operations, which is in violation of Article 21 of the Anti-fraud Regulations.
- A fine of SAR 40,000 imposed by the Saudi Central Bank in 2020G for not obtaining the Saudi Central Bank's prior written approval when failing to reinsure at least 30% of the total subscriptions reinsured in the Kingdom which is in violation of Article 40 of the Implementing Regulations of the Cooperative Insurance Companies Control Law.
- A fine of SAR 5,000 imposed by the Saudi Central Bank in 2021G for not having triage points on entrances to take the temperature of the Company's employees and customers which is in violation of the Saudi Central Bank's Circular sent via email on 05/09/1441H (corresponding to 28/04/2020G) further to the Saudi Central Bank's Circular no. 41050484 dated 21/07/1441H (corresponding to 16/03/2020G).

It should also be noted that on 03/08/1439H (corresponding to 19/04/2018G), the Company received the Saudi Central Bank's Letter no. 391000085432 containing a final warning to the Company regarding the observations made by the Saudi Central Bank with respect to the weakness of the Audit Committee work and the performance of the Audit and Compliance Departments at the Company and the Company's ineffective governance in addition to the non-compliance with the requirements of appointment in leadership positions in the Company. The Saudi Central Bank's Letter also required the Company to rectify the violations mentioned in the Saudi Central Bank's Letter within 20 business days and mentioned that, failing to do so within the set timeframe, the Saudi Central Bank will take one or more regulatory actions against the Company as stipulated in Article 19 of the Cooperative Insurance Companies Control Law, including preventing the Company from accepting new shareholders, investors, or members in any of its insurance activities or restricting it in this respect. Otherwise, the Company confirmed its fulfillment of all statutory requirements.

If, in the future, the Company fails to comply with the laws and instructions issued by the Saudi Central Bank with respect to the insurance sectors and CMA's laws, rules, requirements, and implementing regulations, the Company will be subject to the fines and penalties that the Saudi Central Bank, CMA, and/or any other executive entity may impose thereon.

#### 2.1.4 Credit risks

Credit risks arise when a party fails to fulfill a certain financial obligation for the other party. The Company may face credit risks in several temporary or permanent cases, including reinsurers' inability to fulfill their obligations with respect to settlements, the existence of receivables from customers, and the failure of other creditors to fulfill their obligations to the Company, and others.

It should be noted that the provision for doubtful receivables, receivables from reinsurers, and salvage and subrogation reimbursement reached SAR 28.3 million as at 31 December 2018G, SAR 35.8 million as at 31 December 2019G, SAR 42.0 million as at 31 December 2020G, and SAR 45.8 million as at 30 June 2021G. The Company may face credit risks in several temporary or permanent cases, including reinsurers' inability to fulfill their obligations with respect to settlements and the existence of receivables from customers (for additional information please refer to Subsection 6.8 "**Statement of Financial Position**" of Section 6 "**Financial Information and Management Discussion and Analysis**").

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

#### 2.1.5 Risks related to the inability to implement the strategy

The Company's ability to increase its revenues and improve its profitability depends on the successful implementation of its strategy including, but not limited to, maintaining a balanced portfolio of risks, retaining professional personnel in all main disciplines, maintaining a rate of up to 90% of document renewal, maintaining a profitable portfolio, developing the sales team, providing excellent post-sale services to customers, adhering to all local regulations and requirements, and expanding in individuals and sales insurances (please refer to Subsection 3.6 "**Company's Strategy**" of Section 3 "**Company's Background and Nature of Business**").

Failure by the Company to implement any part of its strategy for any reasons would have an adverse and material impact on its business, results of operations, financial position, and prospects.

Furthermore, there are no guarantees that the Company's successful implementation of its strategy would be fruitful with respect to the results of its operations. It should be noted that the Company's Management regularly reviews and evaluates the business strategy with the Board of Directors. Therefore, the Company is entitled to change or suspend some aspects of its business strategy or adopt alternative or additional strategies as required by the Company's operational environment or competitive situation or according to any other factors or events.

#### 2.1.6 Risks related to credit rating

On 24/06/1443H (corresponding to 27/01/2022G), Company received a financial and credit rating of BBB with a stable outlook, according to S&P. However, there can be no guarantee that S&P will not reduce the Company's credit rating to a rating below what is customary in the insurance market, which would adversely affect the Company's business and prospects.

#### 2.1.7 Risks related to claims management process

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

Inefficiencies in the administration and payment of claims can lead to incorrect compensation decisions, wrong decisions about the creation of the claim's reserves and/or payment, increased fraud, incorrect management information about the reserve and pricing. This leads to additional claims and related costs and expenses for processing claims, as well as increase of risks involved in unsuitable technical claims and/or pricing models. These risks increase when the period between the claim and its payment increases.



If the Company's administrative handling of claims proves to be inefficient or ineffective, or is exposed to costs or expenses that exceed expected rates, the Company may have to change pricing models and/or increase prices, which may result in loss of the Company's business and increase in technical claims reserves. These additional costs or the effects of inflation may harm the Company's profitability, which will have a negative and material impact on the Company's business, results of operations, financial position and future prospects.

### 2.1.8 Risks related to transactions with related parties

In the course of its normal business, the Company deals with companies known as related parties, which primarily represent members of the Board of Directors and executive positions held by the Company's shareholders in other companies and transactions concluded with related parties. The total transactions with related parties reached SAR 124.5 million as at 31 December 2018G, SAR 111.1 million as at 31 December 2019G, SAR 74.7 million as at 31 December 2020G, and SAR 51.3 million as at 30 June 2021G. Balances with related parties reached SAR 358.4 million as at 31 December 2018G, SAR 395.3 million as at 31 December 2019G, SAR 305.6 million as at 31 December 2020G, and SAR 288.5 million as at 30 June 2021G (please refer to Subsection 6.8 "**Statement of Financial Position**" of Section 6 "**Financial Information and Management Discussion and Analysis**").

It should be noted that the General Assembly's approval was obtained for all transactions with related parties during the years ended 2018G, 2019G, and 2020G, with the exception of insurance contracts concluded between the Company and Board members and shareholders (please refer to Subsection 10.10.1 "**Related Parties Contracts and Transactions**" of Section 10 "**Legal Information**").

Pursuant to the Companies Law and Governance Regulations issued by the Capital Market's Board of Directors, transactions with related parties are subject to the approval of the Company's Board of Directors and a license from the Company's Ordinary General Assembly permitting the member to practice competitive business. The member with interest shall not be entitled to a vote on the decision issued in this regard at the Board of Directors and Shareholder Assemblies. Failure to obtain the necessary approvals subjects the Company to the fines and penalties that may imposed by CMA, Ministry of Commerce, and/or any other executive entity.

Transactions with related parties are governed pursuant to the Saudi laws and regulations related to such transactions. The Management believes that those transactions were made on purely commercial bases in accordance with the Company's governance policies related to conflicts of interest.

If future transactions and agreements with related parties are not made on purely commercial bases, this will adversely affect the Company's business, results of operations, financial position, and future prospects (please refer to Subsection 6.8 "**Statement of Financial Position**" of Section 6 "**Financial Information and Management Discussion and Analysis**", and Subsection 10.10.1 "**Related Parties Contracts and Transactions**" of Section 10 "**Legal Information**").

### 2.1.9 Risks related to business concentration in the motor insurance sector

The Company's insurance activities are focused on motor insurance which represented 59.6%, 53.1%, 54.4%, and 49.6% of the total Gross Premiums Written in 2018G, 2019G, 2020G, and the six-month period ended 30 June 2021, respectively (please refer to Subsection 6.7 "**Statement of Income**" of Section 6 "**Financial Information and Management Discussion and Analysis**").

The motor insurance sector is a highly competitive sector, and failure by the Company to retain or expand its customer base in this sector or to diversify in the future would have a material negative impact on the Company's business, results of operations, financial position, and future prospects.

### 2.1.10 Risks related to inadequacy of provisions and reserves

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

- Provisions for unearned premiums
- Provisions for claims under settlement
- Provisions for claim settlement expense
- Provisions for incurred but not reported claims
- Provisions for unexpired risks
- Provisions for disasters
- Provisions for general expenses

The size of reserves is estimated based on expected trends in the size and frequency of claims according to available data

at the time. Maintaining a suitable level of claims reserves is an inherently uncertain process due to the difficulty and complexity of making the necessary assumptions.

The following table shows the Provisions and Reserves as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

**Table No. (9): Provisions and Reserves**

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (unaudited)
Unearned Premiums	253,354	259,887	329,632	468,808
Outstanding Claims	244,263	610,423	641,948	697,206
Claims Incurred but Not Reported	114,013	102,179	101,491	96,103
Premium Deficiency Reserve	23,221	10,845	12,966	9,760
Additional Unexpired Risk Reserve	385	399	203	1,195

Source: The Company

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

**2.1.11 Risks related to contingent liabilities**

Some contingent liabilities may arise on the Company as a result of any liabilities or costs related to the Company’s activity. As at 30 June 2021G, the Company has the following contingent obligations and liabilities:

- Letters of guarantee amounting to SAR 2.41 million
- Withholding tax liability of SAR 11.37 million
- The Company is a defendant in a lawsuit brought by a customer for an amount of SAR 19 million

It is worth noting that as of 15/02/2022G, the Company has 24 pending insurance cases amounting to SAR 23.0 million (please refer to Subsection 10.11 “Disputes and Litigation” of Section 10 “Legal Information”).

If such liabilities are realized, they will adversely and substantially affect the Company’s financial business, financial position, and results of operations.

**2.1.12 Risks related to the current situation of Zakat and income tax**

Whereas the Company is owned by Saudi and foreign shareholders, therefore it is subject to Zakat and Income Tax to the extent applicable to foreign shareholders. The Company may be exposed to liabilities resulting from the differences in the way Zakat and income tax are calculated, which could impact the Company’s business, financial position, and future prospects.

- The Company has filed its tax returns with ZATCA from inception up to 2020G. The Company’s tax and Zakat position has been finalized up to and including the ended 31 December 2018G except for the following assessment for withholding tax:
- During 2019G, the Company had received an assessment for the fiscal year ended 31 December 2018G withholding tax liability in which the ZATCA had imposed additional taxes, including penalties, of SAR 11.37 million. The Company believes that the assessment raised is without merit and had appealed against this assessment. The Company’s initial appeal was rejected by the ZATCA and was escalated to the General Secretariat of Tax Committee online portal in order to assign the hearing session by the Committee for Resolution of Tax Violations and Disputes (“CRTVD”). On 05/08/2021G the CRTVD issued its summary decision in which they agreed with the ZATCA’s revised assessments.
- Then the CRTVD issued its decision IZJ-2021-1116 and decided to amend the ZATCA calculation base to 5% WHT on reinsurance premiums amounting to SAR 195,057,978.96 and decided to amend the action regarding the late fee.



- On 11/10/2021G, the Company submitted an appeal to the General Secretariat of Tax Committee, and the appeal is still under consideration.
- On 22/03/1443H (corresponding to 28/10/2021G), ZATCA submitted (14) final assessment regarding several periods from December 2018G to October 2020G, claiming a total amount of SAR 17,999,177.14, including an amount of SAR 7,855,702.2 for VAT due, a penalty for late payment of SAR 7,845,716.89 and a fine for error in the declarations of SAR 2,297,158. ZATCA issued the assessment decision based on the view that the compensation amounts for insurance claims recovered on vehicles are subject to VAT. On 23/12/2021G, the Company submitted (14) objections to ZATCA over its evaluation decision for the periods between December 2018G and October 2020G.
- The Company has paid the objected amount of SAR 17,999,177.14 in implementation of the ZATCA requirements, which requires paying the objected amount in advance in order to submit the objection.

The Company cannot predict the decision of the General Secretary of Tax Committees. If the General Secretary of Tax Committees does not support the Company's position, the Company will be subject to paying these additional amounts, which could impact the Company's business, financial position, and future prospects. Furthermore, the Company cannot predict that ZATCA will accept its Zakat and tax estimates for each fiscal year in the future, and ZATCA may impose substantial Zakat differences on the Company that exceed the paid amount, in addition to late fines, which could have a negative impact on the Company's business, financial position, and results of operations.

The Company has filed its tax returns with ZATCA from inception up to 31/12/2020G. Except for the above, the Company has paid its Zakat due and obtained the Zakat certificates for those years until 2020G.

### 2.1.13 Risks associated with foreign capital in the company

As at the date of this Prospectus, foreign investors own 37.5% of the Company's capital. SNIC Insurance B.S.C owns 27.5% of the Company's capital and Swiss New Reinsurance Company Ltd owns 10.0% of the Company's capital. As is known that the ownership of foreign investors in Saudi companies is subject to the Foreign Investment Law issued under Royal Decree no. (M/1) dated 15/01/1421H (corresponding to 20/04/2000G) and its Implementing Regulations issued under no. 1/20 dated 13/04/1423H (corresponding to 24/06/2022G), which prescribed a number of practices and violations to the provisions of the Foreign Investment Law and its Implementing Regulations which, if a foreign investor commits, will subject him to a number of sanctions in accordance with the Foreign Investment Law, which may reach the cancellation of the foreign investment license.

Practicing or committing any of the violations provided for in the Implementing Regulations of the Foreign Investment Law may expose the foreign investor to penalties reaching cancellation of license and thus cancelling his ownership in the Company. Since the foreign investors in the Company are founding shareholders, the loss of one of the founding investors in the Company will adversely and substantially affect the Company's business, results of operations, financial position, and future prospects.

### 2.1.14 Risks related to contracts with third parties

The Company has entered into a number of contracts and agreements with third parties related to the field of insurance, such as reinsurance contracts, and other service contracts such as IT contracts, consultancy contracts, and lease contracts (for additional information please refer to Subsection 10.10 "**Summary of Material Agreements**" of Section 10 "**Legal Information**"). Any agreement with third parties is subject to the Outsourcing Regulations for Insurance and Reinsurance Companies and Insurance Service Providers, under which they are required to obtain the approval of the Saudi Central Bank before making any material outsourcing.

The Company depends on the ability of these parties to provide reliable and continuous services, especially with regard to IT services, settlement of medical claims and actuarial consulting services. Also, the Company's ability to grow and meet the needs of its client relies on effective and experienced external sources for performance of specialized functions and services. However, there is no certainty that these parties will meet the Company's expectations in providing services. The Company has no direct operational or financial control over its primary service providers or outsourcing partners, and it cannot predict with certainty the unexpected termination of any outsourcing contracts.

As a lessee, the Company has entered into various leases to lease its offices (for additional information please refer to Subsection 10.10.6 "**Lease Agreements**" of Section 10 "**Legal Information**"). None of the lessors or the Company registered leases electronically through Ejar network approved to be established pursuant to the Council of Ministers' Resolution no. 131 dated 3/4/1435H (corresponding to 03/02/2014G). According to applicable laws and regulations, leases concluded through Ejar network that were registered electronically are equivalent to documented contracts in terms of establishment and enforcement. Therefore, failure to register leases electronically could impact the enforcement and implementation of contracts in case of any dispute with the lessor.

The Company also concluded a lease with Alkhurajji Real Estate Group with respect to its Khobar branch on 17/07/1440H (corresponding to 24/03/2019G). The contract stipulates that the term shall be only one year, starting on 01/07/144H (corresponding to 07/03/2019G) and ending on 30/06/1441H (corresponding to 24/02/2020G). This agreement is renewed automatically for a period of one year unless either party notifies the other party in writing of its desire not to renew. Therefore, the contract is considered expired on 30/06/1442H (corresponding to 12/02/2021G) after renewal. The Company interprets the article concerned with renewal as an annual renewal and the parties still apply the provisions of this contract, and the Company has paid the rent for 2021G. Therefore, it is preferable to avoid any suspicion with respect to the contract's term and parties' rights under the contract by amending the renewal clause to indicate that the contract's term shall be renewed automatically upon the lapse of each term.

If the Company or contracted parties are unable to adhere to the provisions of such contracts, if future disputes or lawsuits arise and such disputes are lost, or the Saudi Central Bank's approval is not obtained in accordance with the Outsourcing Regulations for Insurance and Reinsurance Companies and Insurance Service Providers, this could have a negative and substantial impact on the Company's business, results of operations, financial position, and future prospects.

### 2.1.15 Risks related to litigation

In the course of its business, the Company may be subject to suits and claims related to its general operations and insurance operations, and disputes and claims related to the insurance coverage. The Company cannot guarantee that no disputes will arise with other parties it deals with or its policyholders, which may lead to lawsuits before the competent judicial authorities brought by or against the Company. As a result, the Company may be exposed to legal claims made by government bodies and departments and investigations within the framework of new controls on the insurance sector in the Kingdom. Of course, the Company cannot anticipate the results of such claims as they are made and does not guarantee that such claims would not have a material effect on its business, financial condition and results of operations. The Company cannot accurately anticipate the cost of legal claims or proceedings that may be brought by or against it or the final results of such claims or judgments passed in respect thereof, including damages and penalties. Therefore, any negative results of such lawsuits would negatively affect the Company.

In the course of its business, the Company was subject to suits and claims brought by some policyholders with respect to its insurance operations, and legal disputes and claims related to the insurance coverage. As of 15/02/2022G, the Company has twenty-four (24) insurance lawsuits pending amounting to a total of twenty-three million, two thousand and four hundred seventy-nine (23,002,479) Saudi Riyals.

It should be noted that the Company is a party to a lawsuit filed by Dar Mamlkat Alriyada Sponge Factory with the First-instance Committee for the Resolution of Insurance Disputes and Violations in Riyadh ("**First-instance Committee**"). Under this lawsuit, Dar Mamlkat Alriyada Sponge Factory requires Wataniya to fully compensate it for the damages resulting from a fire in the factory, estimating the losses SAR 18,984,240 in addition to 10% legal fees.

On 18/12/2019G, the First-instance Committee issued a first-instance judgment for the Company and dismissed the case brought by Dar Mamlkat Alriyada Sponge Factory. The Appeals Committee for the Resolution of Insurance Disputes and Violations ("**Appeals Committee**") issued its judgment on 05/04/2020G to revoke the first-instance judgment and return the case to the First-instance Committee for reconsideration. On 15/02/2021G, the First-instance Committee issued another judgment to dismiss the case. The claimant appealed the decisions before the Appeals Committee, and the appeal is still ongoing.

The Company cannot predict the decision of the Appeals Committee. If the Appeals Committee does not support the Company's position, the Company will be subject to paying these additional amounts, which could impact the Company's business, financial position, and future prospects.

Except for the disclosures made in this Section and Subsection 10.11 "**Disputes and Litigation**" of Section 10 "**Legal Information**", the Company is not a party to any lawsuit, claim, arbitration or administrative procedures, collectively and individually, beyond its usual framework or will substantially affect its business or financial condition.

### 2.1.16 Risks related to reinsurance

Within the context of its strategy for risk mitigation and capital management, the Company needs to reinsure its insurance portfolio to limit certain risks it may be exposed to with respect to motor insurance and other insurance products. Pursuant to these reinsurance arrangements, the Company cedes the risks included in insurance to the reinsurer or such risks are born by the insurer which require insurance premiums for providing reinsurance. Based on its activities, the Company must reinsure its insurance portfolio with reinsurance companies in order to reduce insurance risks. According to paragraph (2) of Article (40) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank, the Company must maintain at least thirty percent (30%) of the total premiums inside the Kingdom.



According to Article (21) of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank, the Saudi Central Bank may impose a fine of up to SAR 1,000,000 on companies that do not adhere to the aforementioned percentages. Therefore, if the Company fails to adhere to such percentages, it will be subject to such fine which would negatively and substantially impact its financial condition, financial position, results of operations, and future prospects.

The Company's ability to contract with reinsurance companies with suitable expenses is subject to several factors that are usually outside the Company's control, such as market circumstances outside the Company's control which determine the availability of suitable reinsurance and its costs, as well as the receipt of due amounts from reinsurers in the future, and the financial strength of reinsurers. Like the insurance sector, the reinsurance sector is a periodic sector and subject to significant losses in the market, which could adversely affect reinsurance prices, which could lead to changes in prices or the desire for reinsurance of some future risks. The additional statutory reinsurance changes may lead to incompatibility between the statutory requirements for insurance companies and coverage available with the reinsurers. If any of these incidents or any substantial changes in reinsurance prices occur, the Company may have to bear additional reinsurance expenses or to obtain re-insurance under unsuitable terms, or may not be able to obtain appropriate re-insurance coverage, and therefore will become vulnerable to increase of retained risks and the possibility of increasing losses.

In the event that the reinsurers do not offer to the Company renewal of their products and services, for any reason, there is a risk that the Company may not be able to find an alternative coverage for previous reinsurance agreements at acceptable prices, and the Company may be exposed to reinsurance losses during any period between termination of the existing agreements and the start of any alternative coverage. If there is any material shortcoming by the Company's reinsurers, the Company will also be exposed to major losses, which will have a negative and substantial impact on its financial condition and results of operations.

#### 2.1.17 Risks related to reinsurance concentration

The Company deals with a number of reinsurers to insure its insurance portfolio, which may expose it to the risk of the other party's default. Three of the reinsurance companies which the Company dealt with during the first half of 2021G accounted for 52.1% of the total reinsured premiums as at 30 June 2021G. In the event of a reinsurer's insolvency, bankruptcy or any other distress, particularly, the Company's business, financial positions, results of operations, and future prospects will be adversely impacted.

#### 2.1.18 Risks related to reliance on non-Saudi employees

As of 15/02/2022G, non-Saudi employees account for approximately 21% of the total employees of the Company, which may adversely affect the Company's business results, financial condition and operational results if it is unable to retain its non-Saudi cadres or find replacements therefor with the same skills and required expertise or if a change occurs in the policies and regulations of the Ministry of Human Resources and Social Development, resulting in an increase in the rate of Saudization of the sector.

The Government of Saudi Arabia has also taken a number of other decisions that aim to implement comprehensive reforms in the labor market in the Kingdom, which included imposing additional fees on every non-Saudi employee working for Saudi institutions as of January 1, 2018G, and requiring non-Saudi families to obtain and renew residency permits, which entered into effect on July 1, 2017G, noting that fees increase gradually (for additional information please refer to Subsection 2.2.6 "**Risks related to government fees applicable to non-Saudi employees**" of this Section 2 "**Risk Factors**").

If the Company relies on a higher percentage of non-Saudi employees, the government fees incurred by the Company for employing each non-Saudi, including work and residency permits, which would increase the Company's costs in general, and therefore negatively impact the Company's business, financial position, results of operations, and future prospects.

#### 2.1.19 Risks related to the protection of trademarks

The Company's ability to advertise its insurance products and develop its business depend on the use of its name, logo, and trademark which support its business and position in the market among clients. The Company registered its trademark with the competent entity (please refer to Subsection 10.10.7 "**Trademarks and Property Rights**" of Section 10 "**Legal Information**").

Any violation of property rights or unlawful use of the Company's trademark will affect the Company's reputation, and the Company may have to initiate costly legal proceedings and concentrate the efforts of some of its administrative employees on these proceedings in order to protect its trademark. If the Company fails to effectively protect its trademark upon renewal of the registration certificate or track similar trademarks, the trademark's value will be negatively impacted, which would reflect negatively on the Company's business, results of operations, financial position, and future prospects.

### 2.1.20 Risks related to governance

The Corporate Governance Regulation issued by the Capital Market Authority pursuant to Resolution no. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) pursuant to the Companies Regulations issued by Royal Decree no. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by a Resolution of The Board of the Capital Market Authority no. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G). The Regulations includes mandatory clauses that are stricter than those in the old regulations.

The Company updated its governance regulations to be in line with all requirements stipulated in CMA's Corporate Governance Regulations and the Saudi Central Bank's Corporate Governance Regulations which CMA approved the amendments thereof on 03/09/2020G. The Company is in compliance with all the articles of CMA's Corporate Governance Regulations, and failure by the Company to adhere to the provisions of corporate governance regulations may expose it to fines that will be imposed by CMA, which may have a negative and substantial impact on the Company's business, results of operations, financial condition, and future prospects.

Furthermore, the Company is in compliance with all the articles of the Saudi Central Bank's Corporate Governance Regulations. The Saudi Central Bank may impose fines on the Company in the event that the Company, represented by its Board of Directors and executive management, fails to implement the best governance practices.

It should also be noted that on 03/08/1439H (corresponding to 19/04/2018G), the Company received the Saudi Central Bank's Letter no. 391000085432 containing a final warning to the Company regarding the observations made by the Saudi Central Bank with respect to the weakness of the Audit Committee work and the performance of the Audit and Compliance Departments at the Company and the Company's ineffective governance. Otherwise, the Company confirmed its fulfillment of all statutory requirements.

If, in the future, the Company fails to comply with all the laws and instructions issued by the Saudi Central Bank with respect to the insurance sector and CMA's laws, rules, requirements, and implementing regulations, the Company will be subject to the fines and penalties that the Saudi Central Bank, CMA, and/or any other executive entity may impose thereon, which would have a negative and substantial impact on the Company's business, financial condition, and future prospects.

### 2.1.21 Risks related to anti-money laundering and counter terrorism financing regulations

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

Failure by the Company to comply with the Anti-Money Laundering and Combating Terrorism and Financing of Terrorism regulations will result in imposing penalties by the regulatory authorities, and consequently, will have a negative material impact on the Company's business, financial condition, results of operations, and future prospects.

### 2.1.22 Risks related to reliance on brokers and agents

The Company relies on brokers and agents as major distributors for marketing its products. Gross Premiums Written through agents represented 19.3% of the Gross Premiums Written between 2018G and the six months period ended 30 June 2021G, while Gross Premiums Written through brokers represented 46.0% of the Gross Premiums Written for the same period. Due to reliance on brokers and agents, any interruption or termination of such arrangements with Intermediaries would have a significant negative impact on the sales of the Company's products, leading to substantial negative impact on the Company's business, financial condition, and results of operations.

It should be noted that the licenses of some of the brokers and agents with which the Company entered into intermediary contracts expired and were not renewed yet. The intermediary contracts concluded by the Company provide immediate termination of contracts if the license was withdrawn or not renewed, and the Company confirmed that it does not deal with brokers and agents that failed to obtain valid licenses.



The Implementing Regulations of the Insurance Companies Control Law stipulate that insurance companies may not deal with brokers and agents that did not obtain a valid license, subject to a fine not exceeding one million (1,000,000) Saudi Riyals and/or imprisonment for no more than 4 years.

In addition, the Company currently deals with a broker with which no official contract was concluded, as the Company is in the process of concluding an official contract with said broker. Therefore, the lack of an official contract signed by both parties does not protect the Company's interests and rights as is known in such contracts.

Failure by the Company to renew contracts with intermediaries, the Saudi Central Bank's suspension of an intermediary company contracted by the Company, or inability to provide contracts with other intermediaries under terms suitable to the Company may lead to the Company incurring losses which could negatively and substantially impact the Company's business, results of operations, financial position, and future prospects.

### 2.1.23 Risks related to risk management policies

The Company follows certain policies to manage, measure, and control risks in line with the Implementing Regulations of the Cooperative Insurance Companies Law and the Risk Management in Insurance Companies Regulations issued by the Saudi Central Bank, which are periodically assessed and updated. Failure to properly implement and update the policies, or the inability of the management to identify risks and evaluate them in a timely manner will expose the Company to various risks, including but not limited to, non-compliance with the Cooperative Insurance Companies Control Law and its regulations, which may expose the Company to various actions contained in the Law, including the withdrawal of the Company's license, which will adversely and substantially affect the Company's business, financial position, and future prospects.

### 2.1.24 Risks related to miscalculation of risks

The Company studies potential risks before issuing insurance policies to the applicants based on the reports of the actuary who studies risk development patterns and future projections based on historical performance. However, if the Company miscalculates potential risks upon issuance of insurance policies, it will suffer financial losses that will adversely and materially impact the Company's business, results of operations, financial position, and future prospects.

### 2.1.25 Risks related to investment

The Company's operational results partially depend on the performance of its investment portfolio. Investment results are subject to a number of investment risks, including risks associated with general economic conditions, market fluctuations, volatility of interest rates, liquidity and credit risks, and political conditions. (For additional information please refer to Subsection 6.8 "**Statement of Financial Position**" of Section 6 "**Financial Information and Management Discussion and Analysis**").

If the Company fails to balance its investment portfolio and solvency with its liabilities, it may be forced to liquidate its investments at unfavorable times or prices. Management of such investments requires an effective management system and a heightened ability to select diverse investments of good quality. If the Company's returns on investment decrease, the Company will suffer financial losses that will adversely and materially impact the Company's business, results of operations, financial position, and future prospects.

### 2.1.26 Risks related to financial performance

On 01/04/1443H (corresponding to 06/11/2021G), the Company obtained a non-objection letter from the Saudi Central Bank for increasing its capital after submitting its future work plan. The Company's workplan focuses on assumptions, namely digital transformation, use of modern technology, and development of customer experience, in addition to reducing operational expenses, gradual growth in written insurance premiums, and improvement of the technical performance of key sectors. There is no guarantee that the Company will apply all presented assumptions. Failure by the Company to apply the specified assumptions will adversely and materially impact the Company's business, results of operations, financial position, and future prospects.

### 2.1.27 Risks related to dependence on key personnel and attraction of competencies

The Company depends on the experiences and capacities of leading personnel. Therefore, the Company's success may depend on its ability to ensure continuity of these competencies and find alternatives if they leave the Company. The Company's success relies on maintaining its relationships with brokers by ensuring long-term retention of staff and its ability to attract and retain new high-quality employees.

Despite providing encouraging remuneration, compensation and training to its staff, there can be no assurance that the Company will be able to retain their services or increase their skill levels. The Company may also need to increase salaries to ensure long-term retention of its personnel and attract new well-qualified staff. In addition, employment contracts lack some preventive terms and conditions (including but not limited to non-competition, etc.), all of which may make it difficult to retain some employees. The business of the Company may be adversely affected by the loss of the services of one or more members of key personnel, which could lead to a disruption of the Company's strategy and adversely impact the Company's business, financial condition, results of operations, and future prospects.

It should be noted that no official employment contract, as of the date of this Prospectus, has been signed with the Company's CEO; it was deemed sufficient to conclude an employment offer between the Company and the CEO in this regard. Despite the fact that this employment offer, from a regulatory point of view, proves that the functional and contractual relationship is reliable, the lack of sufficient provisions does not protect the Company's interests and rights as is customary in such contracts.

### 2.1.28 Risks related to cancellation or non-renewal of insurance policies

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

### 2.1.29 Risks related to translation of insurance policies

Some of the Company's insurance policies are in Arabic and translated from English. However, the translation of some items in the insurance policies given by the Company is not accurate for some of the terms mentioned in the policy, leading to a different interpretation of meanings between the parties. Courts in the Kingdom of Saudi Arabia rely on the Arabic text in the event of any dispute between the Company and any of its clients, which may cause the Company to have disputes with customers, which would adversely affect its business and financial results.

### 2.1.30 Risks related to access to adequate financing

The Company's ability to obtain sources of financing for its business depends on several factors, including factors related to its ability to obtain the regulatory approvals, its financial condition and creditworthiness. In the future, if the Company needs to inject a large amount to finance expansion of its activities and products or improve its solvency, it will face difficulties in obtaining sources of financing and, if obtained, they may have unfavorable costs and terms. If the Company needs to increase its capital to obtain additional financing, the ownership percentages of the current Shareholders may decrease. Difficult access to adequate financing in the future may adversely impact the Company's business, results of operations, financial position, and future prospects.

### 2.1.31 Risk related to operating systems and information technology

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

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

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



### 2.1.32 Risks related to disasters and Business interruption

All insurance companies are exposed to losses resulting from unpredictable events that may affect many risks covered by the Company, in particular large-scale weather events with regard to vehicle insurance or epidemics in the case of health insurance. Other events that can affect the Company and insurance policies include natural and unnatural events, including, but not limited to, snow or sand and storms, floods, winds, fires, explosions, earthquakes, industrial accidents and terrorist actions.

The size of the Company's losses as a result of these disaster events depends on the frequency and severity of each event and reinsurance arrangements made by the Company. Despite the Company's efforts to reduce its exposure to these events, determine appropriate price for them, or establish appropriate conditions for risk insurance, these efforts may not succeed.

In addition, any disaster that may affect the Company's offices or any other sites will negatively affect the Company's business, financial position, and future prospectus.

### 2.1.33 Risks related to non-compliance with the quality standards and specifications required by customers

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

### 2.1.34 Risks related to the increase in the Company's liabilities

The increase in the Company's liabilities may pose a risk to the general financial position of the Company and its financial solvency. Total Liabilities percentage reached 77.7% of Total Assets as of 31 December 2018G, 83.5 as of 31 December 2019G, 83.3% as of 31 December 2020G, and 86.7% as of 30 June 2021G. Accordingly, the increase of the Company's liabilities will adversely affect its financial position, and will thus make it difficult for the Company to fulfill its obligations, and will have a negative impact on the Company's business, financial condition, results of operations and future prospects. (For additional information please refer to Subsection 6.8 "**Statement of Financial Position**" of Section 6 "**Financial Information and Management Discussion and Analysis**").

### 2.1.35 Risks related to cheating in insurance usage and claims and other fraudulent activities

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

The occurrence of cheating or fraud in any aspect of the Company's business will have an adverse impact on the Company's business, results of operations, financial position, and future prospects, and will harm the Company's reputation and trademark.

### 2.1.36 Risks related to the outbreak of the COVID-19 pandemic

The Coronavirus (COVID-19) started spreading in December 2019G, and was classified as a global pandemic by the World Health Organization in March 2020G. The pandemic negatively impacted most business sectors across the world. As the virus spread, most world countries took preventive actions to limit its outbreak. The Government of Saudi Arabia was proactive in taking preventive measures to curb the spread of the virus. It took strict decisions in this regard, resulting in, but not limited to, imposing a partial or total curfew in some cities and governorates of the Kingdom during the year 2020G, closing airports and malls and all activities within them, with the exception of grocery stores and pharmacies, and reducing the number of working hours for some sectors and forcing some of them to work remotely.

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

### 2.1.37 Risks related to the Company's reputation

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

### 2.1.38 Risks related to employee misconduct

Despite having internal work regulations approved by the Ministry of Human Resources and Social Service in place with which all the Company's employees are familiar, the Company cannot guarantee that it can always deter or prevent events of employee misconduct or error such as fraud, intentional or unintentional errors, embezzlement, theft, forgery, abuse of property and acting on its behalf without obtaining the due administrative authorizations. As a result, employee misconduct or error could result in consequences and liabilities incurred by the Company, regulatory sanctions, or financial liability which could damage to the reputation of the Company. Hence, the Company cannot guarantee that employee misconduct or error will not materially and adversely affect its business, financial condition, results of operations and future prospects.

## 2.2 Risks related to the market and industry

### 2.2.1 Risks related to compliance with laws and regulations

The Company is subject to the applicable laws and regulations on the insurance sector in the Kingdom, including the Companies Law and the Cooperative Insurance Companies Control Law and its Implementing Regulations. It is also subject to the supervision of the Saudi Central Bank, which is responsible for regulating the insurance sector in the Kingdom, including policies, rules, licensing, competition, investment allocations, service standards, technical standards, and settlement arrangements.

Because the Saudi insurance market is a constantly evolving market, this may limit the Company's ability to respond to market opportunities, and may force it to bear significant annual expenses to comply with the regulatory laws and regulations. There can be no guarantee that the applicable laws or regulatory framework will not change further or be interpreted in a manner that may materially or negatively impact the Company's business, financial condition, or results of operations. Also, if the Company fails to comply with the applicable laws, regulations and instructions, it will be subject to regulatory penalties including fines, suspension of work, and withdrawal of its license to practice insurance, which would negatively impact the Company's business, financial position, and future prospects.

As a listed company, the Company is subject to the laws, rules, and requirements of the CMA and the Saudi Exchange (Tadawul). The CMA requires listed companies to comply with the Rules on the Offer of Securities and Continuing Obligations and special instructions issued by the CMA and the Listing Rules issued by Tadawul. In particular, listed companies are required to periodically disclose significant and financial developments and the Board of Directors report. Insurance companies shall also be committed to announcing their financial results in accordance with templates approved by the CMA, which shall include clear data on the surplus (deficit) of insurance operations minus the returns of policyholders investments, the total written insurance premiums, net insurance premiums, net claims incurred, the net profits (losses) of policyholders investments, and net profits (losses) of shareholders investments, and compare this data with the corresponding quarterly or annual period. In accordance with the Continuing Obligations of Listed Companies Manual, the annual financial results published on Tadawul website must be derived from the audited financial statements approved by the Company's external auditor designated by the Assembly and approved by the Board. Announcements must be made using the announcement templates given in the Instructions of Companies' Announcement of their Financial Results. Furthermore, the Company must also submit a statement of all the reasons and factors related to the change in the financial results of the current fiscal year along with the comparison period, and the reasons must include all items of the financial results announcement.

It should be noted that a number of fines were imposed on the Company during the past two years:

- A fine of SAR 15,000 imposed by the Saudi Central Bank in 2020G due to the Company not having a clear and documented policy for measuring internal fraud, which is in violation of Article 29 of the Anti-fraud Regulations.
- A fine of SAR 15,000 imposed by the Saudi Central Bank in 2020G due to the Company not having an emergency plan for fighting small and large fraud operations, which is in violation of Article 21 of the Anti-fraud Regulations.



- A fine of SAR 40,000 imposed by the Saudi Central Bank in 2020G for not obtaining the Saudi Central Bank's prior written approval when failing to reinsure at least 30% of the total subscriptions reinsured in the Kingdom which is in violation of Article 40 of the Implementing Regulations of the Cooperative Insurance Companies Control Law.
- A fine of SAR 5,000 imposed by the Saudi Central Bank in 2021G for not having triage points on entrances to take the temperature of the Company's employees and customers which is in violation of the Saudi Central Bank's Circular sent via email on 05/09/1441H (corresponding to 28/04/2020G) further to the Saudi Central Bank's Circular no. 41050484 dated 21/07/1441H (corresponding to 16/03/2020G).

With respect to the solvency of public joint-stock companies, on 23/01/1438H (corresponding to 24/10/2016G), CMA issued its resolution no. 1-130-2016 amending the Procedures and Instructions Related to Listed Companies with Accumulated Losses amounting to 50% or more of its Share Capital in light of the new Companies Law, and its name was changed to "**Procedures and Instructions Related to Listed Companies with Accumulated Losses amounting to 20% or more of its Share Capital**" and was amended pursuant to CMA's Resolution no. 1-77-2018 on 05/11/1439H (corresponding to 18/07/2018G).

Furthermore, CMA required listed companies to follow the Instructions for the Listed Companies Announcements issued pursuant to CMA Board's Resolution no. 1-199-2006 on 18/07/1427H (corresponding to 12/08/2006G) and amended pursuant to resolution no. 1-104-2019 on 01/02/1441H (corresponding to 30/09/2019G).

The Company's failure to comply with these laws, rules and requirements will expose it to penalties, including fines, suspension of stock trading, and delisting shares on the Saudi Exchange (Tadawul), which would negatively and substantially impact the Company's business, financial condition, results of operations, and future prospects.

## 2.2.2 Risks related to the economic performance of the Kingdom

The Company's future performance depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation factors, GDP growth, average per capita income, and so on. The Kingdom's macro and micro economy depends mainly on oil and oil industries, which still control a large share of the GDP. Accordingly, any unfavorable fluctuations that occur in oil prices will have a direct and substantial impact on the plans and growth of the Kingdom's economy in general and on the government spending rates, which in turn would adversely affect the Company's financial performance as it operates within the Kingdom's economic system and is affected by government spending rates.

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

## 2.2.3 Risks related to political and economic instability in the Middle East

The Company's financial performance depends on the prevailing economic and political conditions in the Kingdom as well as the global economic conditions that in turn affect the Kingdom's economy. The oil sector occupies the largest share of the Kingdom's GDP. Fluctuations in oil prices may occur, which may negatively affect the Kingdom's economy. It is worth noting that the rate of economic growth in the Kingdom witnessed a slowdown in recent years. The Kingdom is also facing challenges related to the relatively high population growth rates. All of these factors may have a negative impact on the Kingdom's economy, and as such, will have a negative and material impact on the Company's business, results of operations, financial condition and future prospects.

There is no guarantee that the negative developments in relations with certain countries, or the economic and political conditions in those countries, or in other countries will not negatively affect the Kingdom's economy, foreign direct investment in them, or the financial markets in the Kingdom in general.

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

## 2.2.4 Risks related to non-compliance with existing laws and regulations and/or issuance of new laws and regulations

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

## 2.2.5 Risks related to withdrawal of license to undertake insurance activities

The Company obtained the Saudi Central Bank's License no. TMN/29/20106 dated 04/07/1431H (corresponding to 16/06/2010G) to practice general insurance and protection and savings insurance in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations. The License was renewed on 23/02/1443H (corresponding to 30/09/2021G) for a period of 3 years, starting on 03/07/1443H (corresponding to 04/02/2022G) and ending on 02/07/1446H (corresponding to 02/01/2025G).

Article 76 of the Implementing Regulations of the Insurance Companies Control Law states that the Saudi Central Bank has the right to withdraw the license of the Company if:

- The Company does not practice its licensed activities for a period of six months from the issuance date of the license.
- The Company does not fulfill the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations.
- It is established that the Company has deliberately provided the Saudi Central Bank with false information in its licensing application.
- It is established that the rights of the insured, beneficiaries, or shareholders could be lost as a result of the way the Company conducts its activity.
- The Company becomes bankrupt.
- The Company conducts business in a fraudulent manner deliberately.
- The paid-up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements mentioned in the Implementing Regulations of the Cooperative Insurance Companies Control Law.
- The insurance activity in the insurance branches falls to a limit that the Saudi Central Bank deems unviable for the Company to operate under.
- The Company refuses or delays payments of dues without just causes.
- The Company refuses to have its records examined by the inspection team appointed by the Saudi Central Bank.
- The Company fails to pay a final judgment against it in connection with any insurance dispute.

It should be noted that as of 15/02/2022G, the Company's outstanding claims due to beneficiaries of insurance policies (excluding motors) exceed SAR 305,865,340.

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



## 2.2.6 Risks related to government fees applicable to non-Saudi employees

The Saudi government approved a number of resolutions aimed at implementing comprehensive reforms in the Saudi labor market by imposing additional charges for every non-Saudi employee who works for Saudi institutions as of 01/01/2018G, at the rate of four hundred (400) Saudi Riyals per month for each non-Saudi employee in 2018G, increasing to six hundred (600) Saudi Riyals per month in 2019G then eight hundred (800) Saudi Riyals per month in 2020G. This will lead to an increase in the government fees that the Company will pay for its non-Saudi employees, and thus an increase in the Company's costs in general, which will adversely and substantially affect its business, financial performance, and results of operations. The total fees for non-Saudi employees amounted to SAR 283,000, SAR 461,000, and SAR 557,000 in 2018G, 2019G, and 2020G, respectively.

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

## 2.2.7 Risks related to adjustments to accounting for Zakat and income tax by the Saudi Central Bank

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

The Company's financial statements for the fiscal years ended December 31, 2019G and 2020G, and the accompanying notes, and the unaudited condensed interim financial statements for the period ended June 30, 2021G and the accompanying notes, were also prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA), and amended by the Central Bank to account for Zakat and income tax based on the instructions issued by the Central Bank on 20/11/1440H (corresponding to 23/07/2019G) which provide for updating the treatment accounting policies for accounting for Zakat and income tax in the income statement, instead of calculating them on a quarterly basis through shareholders' equity in previously retained earnings. The Company has retrospectively adjusted the effect in line with International Financial Reporting Standards (IFRS) (for additional information please refer to Section 6 "Financial Information and Management Discussion and Analysis").

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

## 2.2.8 Risks related to competition

The insurance sector's environment is an increasingly competitive one as the number of licensed insurance companies, as of the date of this Prospectus, has reached (29) and they are in intense competition to increase their market share. The competitive position of the Company will be based on many factors, including financial strength, the geographical scope of its business, business relations with customers, the premiums charged, the terms and conditions of policies issued, the services and products offered, the Company's ability to design insurance programs according to the requirements of the market, quick payment of claims, the Company's reputation, experience and efficiency of the staff and their presence in the local market.

There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the Company's business, future prospects, and financial condition by:

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

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

### 2.2.9 Risks related to cultural awareness of insurance and its importance

Society's perception of the insurance sector is a primary factor for the success of this sector. However, there are risks of society's perception of the insurance sector in general; it sees the sector as either not playing a key role or operating under the scope of services not compliant with the principles of solidarity and Shariah. Society may lose confidence in the sector, which may adversely affect the Company's business, financial position, and future prospects.

### 2.2.10 Risks related to reporting requirements

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

The Company could also be subject to penalties and fines if it fails to meet the requirements of the Capital Market Authority, the Rules on the Offer of Securities and Continuing Obligations and the disclosures required by the Saudi Exchange. This may adversely and substantially affect the Company's business, financial position and future prospects.

### 2.2.11 Risks related to approvals for new products or renewal of existing ones

Based on the Cooperative Insurance Companies Control Law and Implementing Regulations for offering new insurance products, the Company is required to obtain the Saudi Central Bank's approval before marketing or offering any new product. As of the date of this Prospectus, the Company has obtained approvals from the Saudi Central Bank for selling 41 products.

It is worth noting that the Company obtained the Saudi Central Bank "**File and Use Approval**" and not the final approval for the Aviation Hull and Liability All Risks product. The approval expired on 31/05/2018G, however, the Company confirmed that this product is not being marketed.

Any delay in obtaining approvals for new products or renewal of approvals for current products will have a negative and substantial impact on the Company's business, financial position, and future prospects.

### 2.2.12 Risks related to compliance with Saudization and GOSI requirements

The Ministry of Labor and Social Development has introduced the "**Nitaqat**" program, which is designed to encourage companies to employ Saudi citizens and increase the percentage of Saudi employees in the workforce. Under this program, a company's compliance with Saudization requirements is measured against the percentage of Saudi nationals in the workforce, compared with the average rate of Saudization among companies in the same industry.



The Company has achieved a Saudization percentage of 77.87% as at 02/11/2021G, placing it in the “**platinum**” category of the Nitaqat program. However, there can be no guarantee, that the Company will succeed in keeping Saudization within the prescribed regulatory levels. The Company may be exposed to penalties in the event of non-compliance with resolutions issued in this regard, including stoppage of new work visas for foreign employees needed by the Company, stoppage of transfers of sponsorships for non-Saudi employees, and/or excluding the Company from participating in government tenders, which would adversely affect the Company’s business and results of operations.

### 2.2.13 Risks related to Value-added Tax (VAT)

The Kingdom issued a VAT Law, which came into effect on 01/01/2018G. This Law imposes an added value of (5%) on a number of products and services, as prescribed in the Law. The VAT rate was changed from 5% to 15% on 18/05/2020G, effective from 01/07/2020G. Therefore, the Company must adapt with the changes related to the application of VAT, including its collection and delivery. Any violation or wrong application of the VAT Law by the Company’s management will expose it to fines or penalties or damage its reputation. This will also increase costs and operating expenses, which could compromise the Company’s competitive position and the level of demand for its products, which will have a negative and material impact on the Company’s results of operations and future prospects.

### 2.2.14 Risks related to compliance with official laws and instructions

The Company’s management and conduct of its business and activities are subject to the supervision of the Saudi Central Bank, as the entity entrusted with the supervision and control of the insurance sector in the Kingdom. The Cooperative Insurance Companies Control Law was issued pursuant to Royal Decree no. M/32 dated 02/06/1424H (corresponding to 31/07/2003G), and the Implementing Regulations of the Cooperative Insurance Companies Control Law was issued pursuant to the Minister of Finance’s Resolution no. 1/596 dated 01/03/1425H (corresponding to 20/04/2004G). Because the Saudi insurance market is in an emerging and constantly evolving and changing market, this may limit the Company’s ability to respond to market opportunities, and may force it to bear significant annual expenses to comply with the regulatory laws and regulations. Therefore, the Company cannot guarantee that the applicable laws or regulatory framework of the insurance sector will not change further in a manner that may materially and negatively impact the Company’s business, financial condition, or results of operations. Also, if the Company fails to comply with the applicable laws, regulations and instructions, it will be subject to regulatory penalties including fines, suspension of work, and withdrawal of its license to practice insurance, which would negatively impact the Company’s business, financial position, and future prospects.

The Company is also subject to the Companies Law issued on 28/01/1437H (corresponding to 11/11/2015G), and amended pursuant to Royal Decree no. M/79 dated 25/07/1439H (corresponding to 11/04/2018G). Pursuant to resolution no. 8-127-2016 dated 16/1/1438H (corresponding to 17/10/2016G), CMA’s Board issued the regulatory controls and procedures in implementation of the Companies Law for listed joint-stock companies amended pursuant to CMA Board’s resolution no. 3-57-2019 dated 15/09/1440H (corresponding to 20/05/2019G). Pursuant to resolution no. 8-16-2017 dated 16/05/1438H (corresponding to 13/2/2017G), CMA’s Board issued the Corporate Governance Regulations amended pursuant to CMA Board’s Resolution no. 1-7-2020 dated 01/06/1442H (corresponding to 14/01/2021G). The Companies Law and the Corporate Governance Law impose some new requirements related to the regulation and governance of companies which the Company must adhere to. Furthermore, the Companies Law imposed stricter penalties against the violation of its provisions and rules which are considered mandatory for all companies. Therefore, the Company or members of its Board or executive management may be exposed to such penalties, including fines and/or imprisonment. For example, the Companies Law stipulated that each manager, officer, board member, or auditor that records false or misleading data in the financial statements shall be punished by imprisonment for no more than 5 years and fined an amount not exceeding SAR 5,000,000 if the Company fails to adhere to the mentioned provisions and rules. It should be noted that, as of the date of this Prospectus, the Company is in compliance with all the provisions of the Companies Law and all mandatory articles in CMA’s Corporate Governance Law. However, if the Company fails to adhere to some of the articles of the Companies Law or some of the mandatory articles in the Corporate Governance Law in the future, or if some of the guidance materials in the Corporate Governance Law become mandatory and the Company fails to apply and adhere to them, the Company will be exposed to regulatory penalties and fines, which would have an adverse and material impact on the Company’s business, results of operations, financial condition, and future prospects.

### 2.2.15 Risks related to the decline of client confidence

Client confidence in the insurance sector around the world is of great importance in enhancing the strength of this sector. On the other hand, any decline in that of the client confident in the insurance industry in general, or in the Company in particular, may lead to an increase in the number of insurance policy cancellations and refunds, which will adversely affect the Company's sales, and thus its financial conditions.

### 2.2.16 Risks related to the lack of qualified local personnel

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

### 2.2.17 Risks related to insurance market growth

The growth rate of the Saudi Arabian insurance market may not be as high and sustainable as currently anticipated by the Company. Also, the impact on the insurance industry in the Kingdom as a result of the increase in the number of the insured, along with the economic growth and increase of population in the Kingdom of Saudi Arabia, as well as the continued development in the field of social welfare, demographic changes, opening of the insurance market in the Kingdom to foreign companies, and the continued mergers and acquisitions between existing insurance companies to form larger blocs with a wider presence is generally a matter whose future is unclear. Therefore, growth and development in the Kingdom's insurance market is subject to a number of uncertainties that are beyond the control of the Company, which could have a material adverse effect on the Company's business.

### 2.2.18 Risks related to lack of control over prices

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

### 2.2.19 Risks related to the regulatory environment

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

### 2.2.20 Risks related to the insurance business cycle

The global insurance industry has undergone periodic changes with significant fluctuations in operating results due to competition, catastrophic events, economic and social conditions and other factors beyond the control of companies working in the insurance industry. That may result in periods of price competition due to the excess of supply, and other periods during which companies will receive better premiums. In addition, the increase in the recurrence and magnitude of losses that affect the insured can have a significant impact on the mentioned business cycle. It is expected that the Company's insurance business cycles will be adversely affected as a result of these factors, which would adversely impact the Company.

### 2.2.21 Risks related to currency exchange rates

Risks related to currency exchange rates are due to volatility in financial investments resulting from change in exchange rates. Companies exposed to the risk of currency exchange rates often have dealings with parties outside the Kingdom in the currency of those parties. Most of the Company's transactions are conducted in Saudi Riyals and all of its revenues are realized from clients in the local market and currency. If the Company receives any amounts from the sales of its products or conducts any transactions in a foreign currency, it may be exposed to risks related to currency exchange rates. If significant fluctuations in exchange rates occur, this would negatively impact the Company's financial performance.

## 2.3 Risks related to the New Shares

### 2.3.1 Risks related to potential volatility in share price

The market price of the Company's Rights during the Offering period may not be indicative of the market price of the Company's Shares after the Offering. In addition, the Company's share price may not be stable and could be significantly affected by fluctuations resulting from a change of market trends in connection with the Rights or the Company's existing Shares. These fluctuations may also result from several factors including, among others, market conditions for equity, any regulatory changes in the sector or conditions and trends of the sector, deterioration in the Company's performance, inability to implement future plans, entry of new competitors, announcements by the Company or its competitors concerning mergers, acquisitions, strategic alliances, joint ventures, changes made by experts and securities analysts concerning the financial performance estimates.

There is no guarantee that the market price of the Company's Shares will not be lower than the Offer Price. If this happens once the investors have exercised their Rights, such subscription may not be canceled nor amended; therefore, the investors may immediately suffer from unrealized losses. Moreover, there is no guarantee that the Shareholder will be able to sell their Shares at a price equal or higher than the Offer Price after exercising their Rights. Selling substantial quantities of Shares by the shareholders or the perception that such sale may take place, may adversely affect the share price in the market. In addition, the investors may be unable to sell their Shares in the secondary market without adversely affecting the price.

### 2.3.2 Risks related to potential fluctuations in the price of the Rights Issue

The Rights' market price may be subject to significant fluctuations due to the change of market trends with regard to the Company's Shares. These fluctuations may be significant due to the difference between the limits of price change allowed for trading in the Rights (share's indicative value), as compared to the authorized limits of price change (10%) upward or downward. In addition, the trading price of the Rights depends on the trading price of the Company's Shares and the market perception of the potential price of the Rights. These factors and the factors mentioned under the "**Risks related to potential volatility in share price**" above may also affect the trading price of the Rights.

### 2.3.3 Risks related to unprofitability or sale of Rights

There is no guarantee of profitability of the share by trading it at a higher price. In addition, there is no guarantee that it will be sold at all, which indicates that there is no guarantee of sufficient demand in the market to exercise the Rights or receive compensation from the Company.

### 2.3.4 Risks of trading in rights issues

Speculation in the rights issue is subject to risks that may cause material losses. The range of permissible change in the trading prices of the rights issue (the "**indicative value of the Right**") exceeds the percentage to which the share prices are subject (10% up or down), and there is a direct relationship between the Company's share price and the indicative value of the right. Accordingly, the daily price limits for Trading the right are affected by the daily price limits for Trading the stock.

In the event that the trader does not sell the existing rights issues before the end of the trading period of these rights, he will have to use these rights to subscribe to the new shares and may incur some losses. Accordingly, investors should familiarize themselves with the full details of the mechanism for listing and trading rights issues, its method of operation, and familiarize with all the factors affecting it to ensure that any investment decision will be based on full awareness.

### 2.3.5 Risks related to lack of demand for the Company's Shares and Rights

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

### 2.3.6 Risks related to dilution of ownership

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the Registered Shareholder wishes to sell his Rights during the Trading Period, there can be no assurance that its returns will be sufficient to fully compensate the drop of its shareholding percentage in the Company's capital resulting from the Company's Capital Increase.

### 2.3.7 Risks related to failure to exercise the Rights in a timely manner

The subscription period will start on 24/09/1443H (corresponding to 25/04/2022G) and end on 11/10/1443H (corresponding to 12/05/2022G). The Eligible Persons and brokers representing them should take the appropriate measures to comply with all required instructions and receive their certificates prior to the expiry of the Subscription Period. If the holders of the Rights and the brokers are not able to properly follow the procedures for the trading of the Rights, the Subscription application form may be rejected (please refer to Section 13 "**Information Concerning the Shares and Terms and Conditions of the Offer**"). If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Subscription Period, according to the Rights held by them, there can be no assurance that a compensation will be distributed to the eligible shareholders who did not subscribe in the New Shares.

### 2.3.8 Risks related to potential issuance of New Shares

If the Company decides to increase its capital by issuing New Shares and preventing existing shareholders from exercising their Rights upon issuing New Rights, their ownership will proportionally decline along with their consequent right to vote and right to receive dividends. Any additional offering may have a material impact on the share market price.

### 2.3.9 Risks related to dividends

Future dividends will depend on, amongst other things, future profit, financial position, capital requirements, distributable reserves, available credit of the Company, and general economic conditions. Capital increase may lead to dilution in the profitability of the shares in the future because the Company's dividends would be distributed among a larger number of shares.

The Company does not make any assurance that any dividends will actually be paid nor any assurance as to the amount that will be distributed in any given year.

### 2.3.10 Risks related to forward-looking statements

Some data contained in this Prospectus constitute forward-looking statements, but are not a guarantee of performance in the future. These forward-looking statements and information involve known and unknown risks and other factors that may affect the Company's actual results and, thus, its performance and achievements. There is a number of factors that may affect the Company's actual performance, achievements and results and lead to significant variation from expressed or implied projections in the mentioned statements. Should one or more of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate, actual results may be materially different from the results mentioned in this Prospectus.





### **2.3.11 Risks related to suspension of trading or cancellation of the Company's shares due to not publishing the financial statements within the statutory period**

In the event the Company is unable to publish its financial information within the statutory Period (30 days from the end of the financial period for the interim financial statements, and three months from the end of the financial period for the annual financial statements), the procedures for suspending the listed securities will be applied in accordance with the Listing Rules, which stipulate that the Market will suspend trading of the shares for a period of one trading session following the expiry of the statutory period. In the event that the financial information is not published during the twenty trading sessions following the first suspension, the Saudi Exchange shall announce the re-suspension of the Company's shares until it announces its financial results. In the event that the suspension of trading the Company's shares continues for a period of six months without the Company taking the appropriate measures to correct that suspension, the Authority may cancel the listing of the company's securities. The CMA lifts the suspension after one trading session has passed, following the announcement of the Company's financial results. However, if the Company is late in announcing its financial results, or if it is unable to publish them within the statutory period referred to above, this will cause the Company's shares suspension or cancellation, which would adversely and significantly affect the interest of the Company's shareholders, the Company's reputation and results of operations. In addition, the CMA may cancel the Offering of the Company's Rights Issue Shares in the event that it deems that the Offering may not be in the interest of the shareholders.

### 3. Company's Background and Nature of Business

The following information should be read together with the most detailed information contained in other parts of this Prospectus, including financial and other information in Section 6 **"Financial Information and Management Discussion and Analysis"**.

#### 3.1 Company's Overview

Wataniya Insurance Company (hereinafter the **"Company"** or **"Wataniya"**) is a Saudi public joint stock company established in accordance with Royal Decree no. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and resolution no. 330 of the Council of Ministers' dated 16/10/1430H (corresponding to 05/10/2009G) and Investment License no. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company operates under Commercial Registration no. 4030200981 (unified no. 7001629364) dated 01/06/1431H (corresponding to 15/05/2010G) issued in Jeddah. The Company's head office is located in Jeddah Medina Road, Juffali Building, P.O. Box 5832, Jeddah 21432, Kingdom of Saudi Arabia.

The Company obtained the Saudi Central Bank (**"SAMA"**) license no. TMN/29/20106 dated 04/07/1431H (corresponding to 16/06/2010G) to engage in the business of general insurance and protection and savings insurance, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The license was successfully renewed for a period of three years on 23/02/1443H (corresponding to 30/09/2021G) that starts on 03/07/1443H (corresponding to 04/02/2022G) and ends on 02/07/1446H (corresponding to 02/01/2025G).

The Company conducts its activities in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations and other laws and instructions in force in the Kingdom of Saudi Arabia under the supervision of the Saudi Central Bank. The Company offers General and Protection and Savings Insurance.

The Company's products include: Motor Insurance, Marine Insurance, Engineering Insurance, Accident and Liability Insurance, Property Insurance, Extended Warranty Insurance, and Life Insurance.

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

The Substantial Shareholders (owning directly 5% or more of the Company's capital) as of 15/02/2022G are SNIC Insurance B.S.C (who owns directly 27.5% of the Company's shares), Private Wealth Investment Holding Company (who owns directly 20% of the Company's shares), New Reinsurance Company Ltd (who owns directly 10% of the Company's shares) and E.A. Juffali and Brothers (who owns directly 5% of the Company's shares).

#### 3.2 Major changes in the Company's capital

The Company was established with a capital of one hundred million (100,000,000) Saudi Riyals divided into ten million (10,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals fully paid. The Founding Shareholders subscribed to seven million (7,000,000) shares representing 70% of the Company's total number of shares and have fully paid them, while the remaining three million (3,000,000) shares representing 30% of the Company's total number of shares were offered to the public at ten (10) Saudi Riyals per share. The Company's shares were listed on the Saudi Exchange on 23/06/1431H (corresponding to 06/06/2010G).

On 26/06/1436H (corresponding to 15/04/2015G), the Board of Directors recommended to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals, where it has obtained the Saudi Central Bank's non-objection pursuant to the letter no. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G).

On 26/10/1437H (corresponding to 31/07/2016G), the Extraordinary General Assembly approved the increase of the Company's capital by one hundred million (100,000,000) Saudi Riyals by way of Rights Issue. After completion of the offering, the Company's capital reached two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) shares with a nominal value of ten (10) Saudi Riyals per share.

On 09/02/1443H (corresponding to 16/09/2021G), the Board of Directors recommended to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals, conditional on obtaining the necessary regulatory approvals and the Extraordinary General Assembly approval. The Company obtained the Saudi Central Bank's non-objection on the Capital Increase from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by way of Rights Issue pursuant to letter 43028502 dated 01/04/1443H (corresponding to 06/11/2021G) subject to fulfilling all regulatory requirements.



On 12/09/1443H (corresponding to 13/04/2022G) the Extraordinary General Assembly approved to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by way of Rights Issue.

### 3.3 Substantial Shareholders

The following table shows the direct ownership of the substantial shareholders as of 15/02/2022G:

**Table No. (10): Substantial Shareholders**

#	Shareholders	Nationality	Direct Ownership		Indirect Ownership		Total Ownership	
			# of Shares	Ownership	# of Shares	Ownership	# of Shares	Ownership
1	SNIC Insurance B.S.C	Bahraini	5,500,000	27.50%	-	0.00%	5,500,000	27.50%
2	Private Wealth Investment Holding Company	Saudi	4,000,000	20.00%	-	0.00%	4,000,000	20.00%
3	New Reinsurance Company Ltd	Swiss	2,000,000	10.00%	-	0.00%	2,000,000	10.00%
4	E.A. Juffali and Brothers *	Saudi	1,000,000	5.00%	3,987,500	19.94%	4,987,500	24.94%

Source: The Company

\* Indirect ownership via SNIC Insurance B.S.C

#### 3.3.1 Substantial Shareholders Overview

##### SNIC Insurance B.S.C

SNIC Insurance B.S.C (formerly Saudi National Insurance Company B.S.C) is a Bahraini joint stock company established in Luxemburg in 1975G before relocating to the Kingdom of Bahrain in 1993G to practice all type of insurance in the Kingdom of Saudi Arabia through its agent E.A. Juffali and Brothers.

In February 2010G, SNIC Insurance B.S.C suspended issuance of new insurance policies in the Kingdom of Saudi Arabia and liquidated its insurance portfolio by not renewing clients' insurance policies upon their expiry. Wataniya Insurance Company, after its establishment and obtaining the required licenses from SAMA, has provided the clients of SNIC Insurance B.S.C with insurance coverage. It should be noted that Wataniya Insurance Company has not acquired SNIC Insurance B.S.C insurance portfolio in KSA, and there has not been any evaluation of that portfolio.

SNIC Insurance B.S.C current capital amounts to USD 26,525,199 (equivalent to SAR 99,469,496).

The following table shows SNIC Insurance B.S.C shareholders as of 15/02/2022G:

**Table No. (11): Shareholders of SNIC Insurance B.S.C**

#	Shareholders	Ownership
1	E.A. Juffali and Brothers	72.50%
2	Munich Reinsurance	22.50%
3	Zurich Insurance Group (Middle East)	5.00%
<b>Total</b>		<b>100.00%</b>

Source: The Company

### New Reinsurance Company Ltd

New Reinsurance Company Ltd was incorporated in Zurich in 1926G and is a subsidiary of Munich Reinsurance. New Reinsurance Company Ltd operations cover mainly Europe.

New Reinsurance Company Ltd current capital amounts to CHF 260,000,000 (equivalent to SAR 1,058,980,000).

The following table shows New Reinsurance Company Ltd substantial shareholders as of 15/02/2022G:

**Table No. (12): Substantial Shareholders of New Reinsurance Company Ltd**

#	Shareholders	Ownership
1	Munich Reinsurance	99.99%
<b>Total</b>		<b>99.99%</b>

Source: The Company

### Private Wealth Investment Holding Company

Private Wealth Investment Holding Company is licensed to engage in the activities of holding companies, i.e. units that acquire assets by owning majority of the capital of a group of subsidiaries, and its main activity is to own those companies, manage subsidiaries of the holding companies, invest the funds of the subsidiaries of the holding companies, manage its subsidiaries, or participate in the management of other companies in which it contributes and provide the necessary support, in accordance with the provisions of the Ministry of Commerce and Investment and the rules and regulations issued by the supervisory authorities in the Kingdom. Private Wealth Investment Holding Company was established and began its effective activities in 2019G. Private Wealth Investment Holding Company is managed through an administrative organization with the general administration based in Riyadh and the regional administrations based in various regions of the Kingdom.

Private Wealth Investment Holding Company current capital amounts to SAR 100,000.

It is worth noting that on 18/05/1443H (corresponding to 22/12/2021G), Private Wealth Investment Holding Company signed a sale and purchase agreement with the Saudi British Bank to purchase the entire shares of the Saudi British Bank, represented by (4,000,000) ordinary shares representing 20% of the share capital of Wataniya Insurance Company.

The following table shows Private Wealth Investment Holding Company shareholders as of 15/02/2022G:

**Table No. (13): Shareholders of Private Wealth Investment Holding Company**

#	Shareholders	Ownership
1	Masar Vision International Trading Company	99.00%
2	Gulf Oil Trading Company	1.00%
<b>Total</b>		<b>100.00%</b>

Source: The Company

### E.A. Juffali and Brothers

E.A. Juffali and Brothers was incorporated in 1946G in Jeddah as a partnership and was later converted to a limited liability company. It is one of the leading companies in the Kingdom of Saudi Arabia in the fields of IT services, automated agencies, spare parts, home appliances, energy and communication systems, building materials etc. In 2011G, E.A. Juffali and Brothers was converted from a limited liability company to a closed joint stock company.

E.A. Juffali and Brothers current capital amounts to SAR 100,000,000.

The following table shows E.A. Juffali and Brothers shareholders as of 15/02/2022G:

**Table No. (14): Shareholders of E.A. Juffali and Brothers**

#	Shareholders	Ownership
1	Fawzya Ibrahim Juffali	12.82%
2	Khaled Ahmad Juffali	12.45%
3	Hatem Ali Juffali	8.48%
4	Amin Ali Juffali	8.48%
5	Sami Ali Juffali	8.48%
6	Ayman Ali Juffali	8.48%
7	Tarek Tarek Juffali	8.30%
8	Hala Waleed Juffali	8.30%
9	Maha Ahmad Juffali	6.23%
10	Hanaa Wafiq Elhusseiny	5.45%
11	Mona Ali Juffali	4.24%
12	Dina Walid Juffali	4.15%
13	Talin Tarek Juffali	4.15%
<b>Total</b>		<b>100.00%</b>

Source: The Company

### 3.4 Company's Vision

Embodying humanity and believing in enlightenment, the Company empowers its resources to personalize security to their clients.

### 3.5 Company's Mission

On the basis of its legacy and expertise, the Company strives to amaze while developing its human and technological capabilities solving complexities in a harmonious environment.

### 3.6 Company's Strategy

- Maintaining, appointing and training professional cadres in all major disciplines.
- Maintaining a balanced portfolio of risks.
- Maintaining policy renewal rates of up to 90%.
- Providing outstanding after-sales services to customers, through claims management and customer services.
- Developing the sales team.
- Providing insurance services to customers and providing the best technical and digital solutions using the latest applications and technologies.
- Complying with all local regulations and requirements.
- Maintaining a profitable portfolio by constantly reviewing the loss rates of all clients and taking appropriate action.
- Expanding personal and sales insurances through electronic applications.
- Following social distancing instructions and maintain a safe work environment for all stakeholders.

### 3.7 Company's Values

- Client centric
- Establishing an environment of teamwork
- Transparency
- Operational excellence
- Employing modern technologies

### 3.8 Company's Philosophy

The Company firmly believes that good client service is the most important factor that determines its success in the insurance business. Accordingly, the staff is trained to handle policyholders' inquiries and claims, and is positioned to exceed the clients' expectations on personal and professional levels. This is evident in the high client retention ratio.

### 3.9 Company's Strengths & Competitive Advantage

- Experienced and skilled management team
- A wide range of integrated insurance solutions to meet customer requirements
- A wide range of insurance services and products
- Reinsurance agreements with highly rated reinsurers
- Diverse shareholder base
- High rates of renewal of insurance policies
- Stable credit rating over previous years

### 3.10 Company's Activities and Products

The Company operated under Commercial Registration number 4030200981 (Unified number 7001629364) dated 01/06/1431H (corresponding to 15/05/2010G). The Company is authorized to practice general insurance and protection and saving insurance business by the Saudi Central Bank under license no. TMN/29/20106, dated 04/07/1431H (corresponding to 16/06/2010G). The license has been renewed for three (3) years ending on 02/07/1446H (corresponding to 02/01/2025G).

In accordance with Article (3) of the Company's Bylaws, the Company's objectives are as follows: practicing cooperative insurance in the general insurance and protection and savings insurance. It may also exercise all necessary business activities to achieve its purposes. The Company shall carry out its own business activities in accordance with the Cooperative Insurance Companies Control Law and its Implemented Regulations, together with all laws and rules applicable in the Kingdom of Saudi Arabia, and after obtaining the necessary licenses from the relevant authorities, if any.

In accordance with Article (4) of the Company's Bylaws, the Company may establish limited liability companies or joint stock companies, may hold or have an interest, or otherwise participate in any manner with other entities that carry out similar activities or that may assist the Company in the realization of its goals, or merge with or acquire these entities - subject to fulfilling the regulatory requirements and obtaining the Saudi Central Bank approval.

The Company conducts its activities through its headquarter in Jeddah in addition to its branches in Riyadh and Khobar (for more information about its branches, please refer to subsection 10.9 "**Company's Branches and Points of Sale**" of Section 10 "**Legal Information**").

#### 3.10.1 Company's Products

The Company provides cooperative insurance services in the Kingdom, and its main activity includes all categories of general insurance and protection and savings insurance. The Company offers its products through 41 different policies divided into 7 sectors: Motor Insurance, Marine Insurance, Engineering Insurance, Accident and Liability Insurance, Property Insurance, Extended Warranty Insurance, and Life Insurance.

The Company may only offer its services and products after obtaining a final or temporary approval for each product from the Saudi Central Bank (pursuant to Article 16 of the Implementing Regulations). The Company has so obtained the Saudi Central Bank approval on the products shown in the following table:



**Table No. (15): Company’s Products**

No.	Policy Name	Description	Approval #	Final Approval Date
1	Commercial Vehicles Comprehensive Insurance Policy	Covers substantial damage to the insured automobile, physical damage and damage to the property of third parties due to accidents involving an insured commercial automobile	341000062957	19/05/1434H (corresponding to 31/03/2013G)
2	Private Motor Comprehensive Insurance Policy	Covers substantial damage to the insured automobile, physical damage and damage to the property of third parties due to accidents involving an insured private automobile	341000062957	19/05/1434H (corresponding to 31/03/2013G)
3	Public Liability (Third Party) Policy	Covers body and property damage to third parties due to accidents involving an insured automobile.	341000062957	19/05/1434H (corresponding to 31/03/2013G)
4	Motor Traders (External Risk) Policy	Covers the responsibilities of the owners of dealerships and workshop owners while test driving customers’ cars outside the insured place after repair.	341000062957	19/05/1434H (corresponding to 31/03/2013G)
5	Life Insurance Policy (group)	Covers death of the insured for any reason under specific conditions	341000005966	13/01/1434H (corresponding to 28/11/2012G)
6	Comprehensive Banking Insurance Policy	Covers banks against all risks such as employee disloyalty, theft, risks to money in transit, forgery, distortion, and counterfeit currency	3810000024377	27/03/1438H (corresponding to 26/12/2016G)
7	Travel Policy	Covers policyholders while traveling abroad against specified risks such as death or injuries.	3810000024377	02/03/1438H (corresponding to 01/12/2016G)
8	Professional Indemnity Policy (Medical Malpractice/ Practitioners)	Covers protection of any medical practitioner against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	381000024374	02/03/1438H (corresponding to 01/12/2016G)
9	Householders Comprehensive Policy	Covers housing against a wide range of risks, such as fire	381000022780	28/02/1438H (corresponding to 28/11/2016G)
10	Machinery Loss of Profits Policy	Covers profit losses resulting from breakdowns of plants and machinery.	381000022767	28/02/1438H (corresponding to 28/11/2016G)
11	Fire Insurance Policy	Covers losses and damages to insured properties from fire and other specific risks.	381000022778	28/02/1438H (corresponding to 28/11/2016G)
12	Extended Warranty Insurance Policy	Covers mechanical breakdowns of automobiles beyond the manufacturers’ warranties provided by agents. Different levels are included: <ul style="list-style-type: none"> <li>• Platinum coverage of brand-new cars</li> <li>• Gold coverage of brand-new cars</li> <li>• Gold coverage of used cars</li> <li>• Silver coverage of used cars</li> <li>• Bronze coverage of used cars</li> </ul>	381000022777	28/02/1438H (corresponding to 28/11/2016G)
13	Installation Risk Insurance Policy	Covers risks related to storage, assembly, or installation, and covers the period of machine testing and operation at the factory. The policy grants full coverage against all risks unless specifically excluded.	-	28/02/1438H (corresponding to 28/11/2016G)
14	Electronic Equipment Insurance Policy	Covers unexpected damage resulting from electronic devices. The policy also covers external information media and increased costs and work expenses	381000022775	28/02/1438H (corresponding to 28/11/2016G)
15	Deterioration of Stock in Cold Storage Policy	Covers loss or damage to inventory preserved in cooled warehouses resulting from unexpected deterioration of refrigerators.	381000022774	28/02/1438H (corresponding to 28/11/2016G)
16	Machinery Breakdown Insurance Policy	Covers unexpected substantial losses or damage incurred by plants or factories, and may cover loss of profit due to machinery breakdowns.	381000022773	28/02/1438H (corresponding to 28/11/2016G)
17	Contractor’s All Risks Policy	Covers all substantial damages caused by construction projects.	381000022771	28/02/1438H (corresponding to 28/11/2016G)

No.	Policy Name	Description	Approval #	Final Approval Date
18	Professional Liability Insurance Policy	Covers protection against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	-	28/02/1438H (corresponding to 28/11/2016G)
19	Professional Indemnity (Architects and Civil Engineers)	Covers architects against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	381000022769	28/02/1438H (corresponding to 28/11/2016G)
20	Contractor's Plant & Machinery Policy	Covers any unexpected substantial loss or damage to the factory, plant or machines used in building and construction, etc.	381000022773	28/02/1438H (corresponding to 28/11/2016G)
21	Business Interruption Insurance Policy	Covers actual loss of profits incurred due to interruption of business caused by an insured risk.	381000022765	28/02/1438H (corresponding to 28/11/2016G)
22	Property All Risks (Material Damage) Policy	Covers all risks causing substantial losses or damages to insured properties unless the risk causing the damage is excluded from the policy	381000022764	28/02/1438H (corresponding to 28/11/2016G)
23	All Risks Insurance Policy	Comprehensive and complete coverage for industrial units or commercial properties, etc, against all risks (including accidental damage), except for what is specifically excluded by the policy.	381000022776	28/02/1438H (corresponding to 28/11/2016G)
24	Civil Liability Insurance Policy	This policy covers the legal liability that the insured is legally liable for as compensation to third parties for accidental physical injury and covers any loss or damage to property of third parties resulting from performance of the insured party's work, profession, or business.	381000022761	28/02/1438H (corresponding to 28/11/2016G)
25	Terrorism Policy	Covers the risks of damage caused by terrorist acts.	381000022759	28/02/1438H (corresponding to 28/11/2016G)
26	Group Personal Accident Policy	Covers deaths and injuries suffered by the insured and compensates cases of disability according to a specific compensation limit.	1s/18593	06/04/1433H (corresponding to 28/02/2012G)
27	Personal Accident Policy	Covers deaths and injuries suffered by the insured and compensates cases of disability according to a specific compensation limit.	119/1s/2347	11/01/1433H (corresponding to 06/12/2011G)
28	Money Policy	Covers losses related to money due to seizures or robbery during transport, while inside insured properties or a safe.	2392/1s/58718	24/12/1431H (corresponding to 30/11/2010G)
29	Burglary Insurance Policy	Covers the insured place insured against loss, damage, harm and burglary.	2141/1s/54661	22/11/1431H (corresponding to 30/10/2010G)
30	Life Insurance Policy (individual)	Covers death of the insured for any reason under specific conditions	1s/637	08/03/1433H (corresponding to 31/01/2012G)
31	Land Shipping Insurance Policy (all risks)	Covers goods and commodities transported by trucks against all risks	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
32	Inland Transit Insurance (Road Risks) Policy	Covers goods and commodities shipped by land against certain risks such as fire, collision, and overturning.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
33	Marine Shipping Insurance Policy (one shipment)	Covers goods and commodities shipped by sea, air, and land against any actual accidental damage. A separate document is issued for each shipment.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
34	Marine Cargo Policy (open contract)	Covers goods and commodities shipped by sea, air, and land by a certain means of transportation against any actual accidental damage. Automatically covers every shipment under previously agreed upon conditions.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
35	Marine Hull Insurance Policy	Covers ship, yacht structures and machines against marine risks.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
36	Fidelity Guarantee Insurance Policy	Covers against fidelity and fraud, theft, or embezzlement committed by insured employees.	2326/1s/57733	16/12/1431H (corresponding to 22/11/2010G)



No.	Policy Name	Description	Approval #	Final Approval Date
37	Workmen's Compensation Policy	Covers legal liability pursuant to the Saudi Labor Law to pay compensation and the claimant's expenses for any injuries incurred by any employee that occur during and due to performance of work.	375/Is/70267	25/02/1432H (corresponding to 29/01/2011G)
38	Plate Glass Policy	Covers fixed glass against loss or damage.	2327/Is/57734	16/12/1431H (corresponding to 22/11/2010G)
39	Aviation Hull and Liability All Risks Policy*	Coverage provides everything related to loss or damage to aircrafts.	391000035534	11/07/1439H (corresponding to 28/03/2018G)
40	Directors & Officers Liability Policy	Covers the protection of directors and executives from liability arising from their actions in the conduct of their corporate and organizational functions.	-	13/09/1442H (corresponding to 25/04/2021G)
41	Comprehensive Events Cancellation Policy	Provides insurance coverage against disruption, suspension, postponement or transfer of the covered event for reasons beyond our control.	-	19/10/1442H (corresponding to 31/05/2021G)

Source: The Company

\* This product has 'File and Use Approval'

### 3.10.2 Future Products

The Company continuously evaluates opportunities for providing new individual, commercial, family, and public products to meet individual and institutional customer demands, subject to the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. Meanwhile, the Company is studying potential products to offer in the future.

## 3.11 Companies in which the Company owns interest or shares

The Company owns 3.85% of Najm for Insurance Services ("Najm Company"), which currently works in the field of supplying the needs of insurance companies, providing support services for auto insurance as an expert in collision inspection and loss estimation, and is a specialist in settling insurance claims. Najm Company does not conduct business competitive with the Company and does not have a license to practice insurance or reinsurance, intermediation, or agency in insurance in the Kingdom. Najm Company operates pursuant to SAMA approval no. 1916/M/AA/M A BB. Najm Company commenced business in 2007G in Riyadh, Saudi Arabia and was converted into a closed joint stock company on 12/10/1434H (corresponding to 18/08/2013G) under Commercial Registration no. 1010229751.

Except for its ownership in Najm Company, the Company has no ownership in other companies, subsidiaries or affiliates.

Najm Company's share capital is fifty million and eighty (50,000,080) Saudi Riyals divided into five million and eight (5,000,008) fully-paid ordinary shares with a nominal value of ten (10) Saudi Riyals per share. The following table shows the Company's ownership therein.

Table No. (16): Company's ownership in other companies

The Company	No. of Shares	Share nominal value (SAR)	Total nominal value (SAR)	Ownership (%)
Najm	192,308	10	1,923,080	3.85%

Source: The Company

## 3.12 Distribution Channels

The Company distributes its products throughout the Kingdom through direct sales from its branches in Jeddah, Riyadh and Khobar, and Agents and Brokers approved by the insurance industry regulators in the Kingdom of Saudi Arabia.

The Company's sales are concentrated in the Western Region accounting for 72.9% of the Gross Premiums Written recorded between 2018G and the six months period ended 30 June 2021G, followed by the Central Region at 17.8% and the Eastern Region at 9.3%.

Total premiums subscribed via agents represent 46.0% of total premiums subscribed between 2018G and the six-month period ending on June 30 2021G. Broker sales and direct sales represent 34.7% and 19.3% of total premiums subscribed between 2018G and the six-month period ending on June 30 2021G, respectively.

### 3.13 Reinsurance

To limit financial losses that may result from large insurance claims, the Company, in the normal course of its business, enters into agreements with other parties for reinsurance purposes. In order to limit the Company's exposure to any significant losses as a result of the insolvency of reinsurance companies, the Company assesses the financial position of reinsurance companies and monitors concentrations of credit risks arising in geographical areas, activities or economic characteristics similar to reinsurance companies.

Reinsurers are selected according to the following criteria and instructions specified by the Company's Board of Directors and the Reinsurance Committee. These criteria are as follows:

- A minimum acceptable credit rating issued by recognized international rating agencies (such as "Standard & Poor's"), which must not be less than (BBB) or its equivalent.
- Reputation
- Current and previous working relationship with reinsurers

In addition, the Company conducts a detailed review of the financial strength, managerial and technical expertise and historical performance, where applicable, and matching it with a list of pre-determined requirements by the Board of Directors and Reinsurance Committee before approving the exchange of insurance operations.

The following table shows the key reinsurance companies with which the Company does business as of 31/10/2021G:

**Table No. (17): Key Reinsurers**

#	Name	Nationality	Rating	Rating Agency
1	Aspen	Swiss	A	A M Best
2	Saudi Re	Saudi	A3	Moody's
3	Hannover Re	German	A+	A M Best
4	R+V Versicherung AG	German	A+	S&P
5	SCOR	French	AA-	S&P
6	Echo Re	Swiss	A-	S&P
7	Swiss Re	Swiss	A+	A M Best
8	Chaucer MENA	Emirates	A	A M Best
9	Munich Re	German	A+	A M Best
10	Korean Reinsurance Company	Korean	A	A M Best
11	QBE	Emirates	A-	FITCH
12	Odyssey Re	French	A	A M Best
13	AXA XL	Emirates	A+	A M Best

Source: The Company

### 3.14 Interruption of Business

There was no interruption in the Company's business that could have had or would have had a material impact on the financial position during the last twelve (12) months.

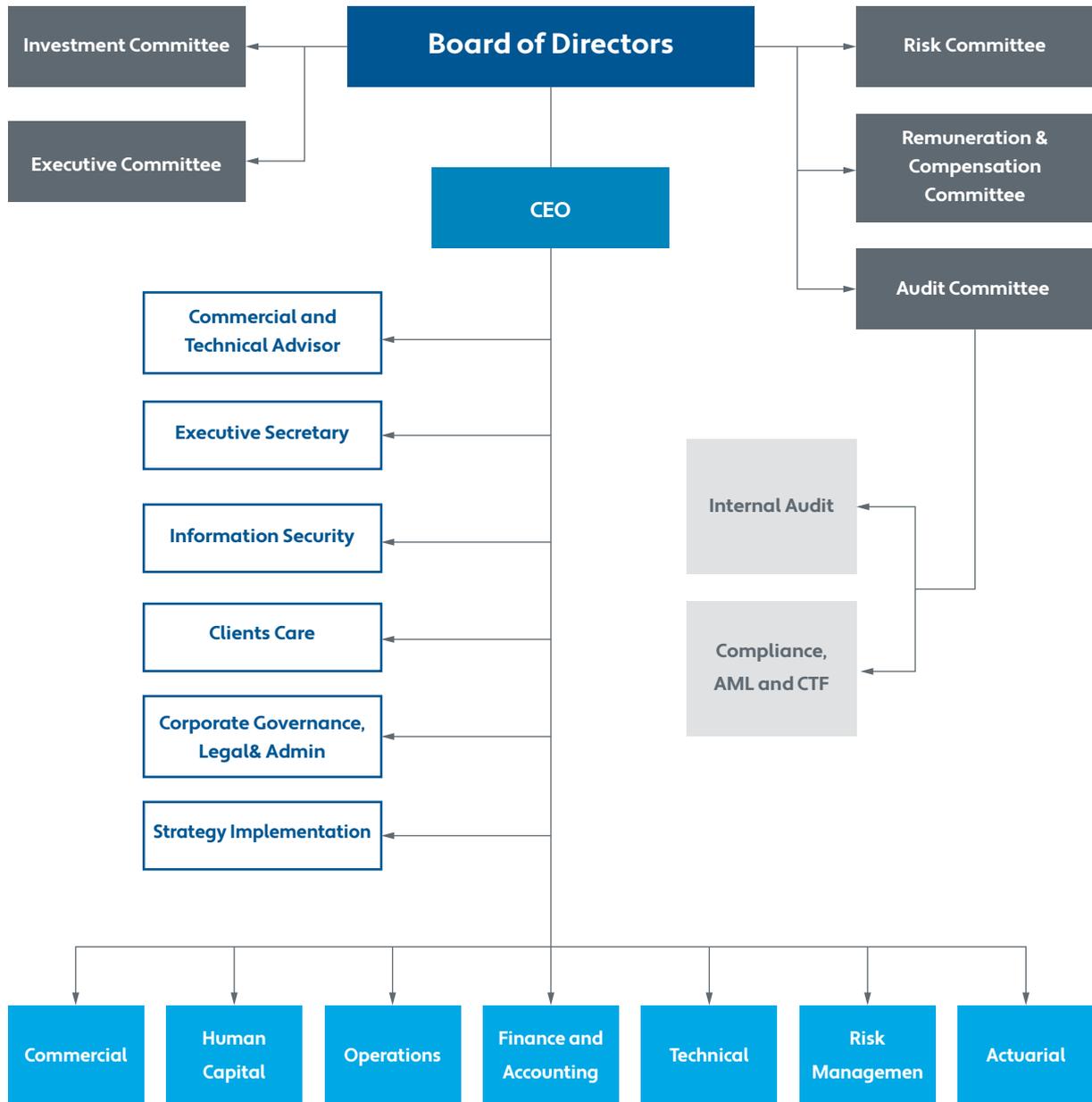
### 3.15 Employees & Saudization

As at the date of this Prospectus, the number of employees reached 248 employees, including 182 Saudi employees and 66 non-Saudi employees. As per Nitaqat program issued by the Ministry of Human Resources and Social Development, the nationalization rate as at 27/03/1443H (corresponding to 02/11/2021G) was around 77.87% and the Company is classified in the Platinum range.

## 4. Company’s Organizational Structure

### 4.1 Company’s Organizational Structure

Figure (1): Company’s Organizational Structure



Source: The company

### 4.2 Board of Directors

Pursuant to Article (15) of the Company’s Bylaws, the Company shall be managed by a Board of Directors consisting of ten (10) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years according to the terms and standards stipulated in the Company’s Bylaws and Corporate Governance Manual and after obtaining the Saudi Central Bank’s approval. The Company’s Ordinary General Assembly approved, in its meeting held on 20/08/1440H (corresponding to 25/04/2019G), the election of the Board of Directors’ members for the current term starting on 21/08/1440H (corresponding to 26/04/2019G) for a period of 3 years ending on 24/09/1443G (corresponding to 25/04/2022G). The Board of Directors for the current term consist of the following members:

Table No. (18): Board of Directors

Board of Directors appointed on 20/08/1440H (corresponding to 25/04/2019G)*									
Name	Position	Represented Side	Nationality	Age	Membership status	Date of appointment	Shares owned**		
							Direct	Indirect *****	%
Hussein Saeed Akiel***	Chairman	-	Saudi	50	Non-Independent / Non-Executive	26/04/2019G	12,000	-	0.06%
Faisal Mohammed Charara***	Vice Chairman	SNIC Insurance B.S.C	Saudi	57	Non-Independent / Non-Executive	26/04/2019G	4,000	-	0.02%
Amin Mousa AlAfifi	Director	E.A. Juffali and Brothers	Saudi	62	Non-Independent / Non-Executive	26/04/2019G	-	-	0.00%
Bernd Aloys Kohn	Director	New Reinsurance Company Ltd.	Deutsch	51	Non-Independent / Non-Executive	26/04/2019G	-	-	0.00%
Haitham Habib AlBakree****	Managing director	-	Saudi	49	Non-Independent / Executive	06/10/2021G	1,500	-	0.01%
Nidal Mohammed Radawan	Director	-	Saudi	59	Independent / Non-Executive	26/04/2019G	10	-	0.00%
Rakan Amer AlHoshan	Director	-	Saudi	53	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Haitham Faruk Akhdar	Director	-	Saudi	51	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Raed Salman Sater	Director	-	Bahraini	52	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Taher Mohammed AlDabbagh*****	Director	-	Saudi	65	Non-Independent / Non-Executive	11/04/2021G	-	-	0.00%

Source: The Company

\* On 20/08/1440H (corresponding to 25/04/2019G), the Company's Ordinary General Assembly resolved to appoint the Board of Directors for a period of 3 years starting from 21/08/1440H (corresponding to 26/04/2019G) and ending on 24/09/1443H (corresponding to 25/04/2022G).

\*\* Ownership as of 15/02/2022G.

\*\*\* The Board of Directors appointed Dr. Hussein Saeed Akiel as Chairman (Non-Executive) and Mr. Faisal Mohammed Charara as Vice Chairman (Non-Executive). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

\*\*\*\* On 28/11/1442H (corresponding to 08/07/2021G), the Board of Directors appointed Mr. Haitham Habib AlBakree as Executive Director – Managing Director instead of Mr. Soren Craig Nikolajsen who submitted his resignation on 30/08/1442H (corresponding to 12/04/2021G). The Company obtained the Saudi Central Bank's non-objection on this appointment by email on 29/02/1443H (corresponding to 06/10/2021G), subject to obtaining the General Assembly approval in the next meeting to be held, the date of which will be announced later.

\*\*\*\*\* On 29/08/1442H (corresponding to 11/04/2021G), the Extraordinary General Assembly approved the Board recommendation on appointing Mr. Taher Mohammed AlDabbagh – Non-Executive Director from 19/03/1442H (corresponding to 05/11/2020G) to complete the current Board session until 24/09/1443H (corresponding to 25/04/2022G).

\*\*\*\*\* As of the date of this Prospectus, the Directors do not have any indirect ownership in the Company.

### 4.3 Board Committees

The Company has five (5) committees in place as follows:

#### Executive Committee

The Executive Committee consists of five (5) members. The Executive Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board's current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Executive Committee:

**Table No. (19): Executive Committee members**

Name	Position
Faisal Mohammed Charara	Chairman (non-executive member of the Board)
Nabil Peter Choueiri	Member (independent member from outside the Board)
Haitham Habib AlBakree	Member (executive member of the Board – CEO of the Company)
Ali Ibrahim ElHussein	Member (Senior Executive)
Sohail Fazl Abbas	Member (Senior Executive)

Source: The Company

**Committee Functions:**

The purpose of this Committee is to assist the CEO in performing his functions, including:

- Preparing, implementing, and developing strategic and operational plans, and policies, procedures, and budgets.
- Monitoring the Company’s operational and financial performance.
- Evaluating and monitoring risks.
- Identifying priorities and allocating resources thereto.
- Monitoring competitive forces in all the Company’s operations.
- Monitoring and adopting changes related to the reconfiguration of the Company’s headquarters.
- Monitoring and adopting additional government fees imposed on the Company’s employees.

The Executive Committee held six (6) meetings during 2020.

**Investment Committee**

The Investment Committee consists of three (3) members. The Investment Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board’s current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank’s non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Investment Committee:

**Table No. (20): Investment Committee members**

Name	Position
Faisal Mohammed Charara	Chairman (non-executive member of the Board)
Bernard Van Linder	Member (independent member from outside the Board)
Haitham Habib AlBakree	Member (executive member of the Board – CEO of the Company)

Source: The Company

**Committee Functions:**

The Investment Committee oversees the management of all aspects of investment assets maintained by the Company within the powers entrusted thereto by the Board of Directors and in accordance with applicable laws in Saudi Arabia.

The Investment Committee held two (2) meetings during 2020G.

**Audit Committee**

The Audit Committee consists of three (3) members. The Audit Committee was appointed by the Ordinary General Assembly in its meeting held on 26/06/1441H (corresponding to 20/02/2020G) for a term ending with the end of the Board’s current term on 24/09/1443H (corresponding to 25/04/2022G). The Chairman of the Audit Committee was appointed at the recommendation of the Board of Directors in the Committee’s meeting on 20/08/1440H (corresponding to 25/04/2019G). The Company obtained the Saudi Central Bank’s non-objection no. 89/38090 dated 13/11/1440H (corresponding to 15/07/2019G).

The table below shows the members of the Audit Committee:

**Table No. (21): Audit Committee members**

Name	Position
Sirajeddine Anwar Muthereddine	Chairman (independent member from outside the Board)
Sami Musa AlHalabi	Member (independent member from outside the Board)
Nidal Mohammed Radawan	Member (independent member of the Board)

Source: The Company

**Committee Functions:**

- Review administrative risks and evaluate the Company's operations with respect to risks and internal control systems.
- Ensure the integrity of the Company's financial data and efficiency of external audit and internal audit functions.

The Audit Committee held nine (9) meetings during 2020G.

### Remuneration and Compensation Committee

The Remuneration and Compensation Committee consists of three (3) members. The Remuneration and Compensation Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board's current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Remuneration and Compensation Committee:

**Table No. (22): Remuneration and Compensation Committee members**

Name	Position
Raed Salman Sater	Chairman (independent member of the Board)
Faisal Mohammed Charara	Member (non-executive member of the Board)
Sami Musa AlHalabi	Member (independent member from outside the Board)

Source: The Company

**Committee Functions:**

- Ensure transparency in the appointment, selection, changing, and evaluation of the Company's Board members.
- All appointments and changes are ratified by the General Assembly.
- Develop policies with respect to the remuneration and bonuses of Board members and senior executives.
- Evaluate the Board of Directors, committees, and Executive Management of the Company.

The Remuneration and Compensation Committee held three (3) meetings during 2020G.

### Risk Management Committee

The Risk Management Committee consists of three (3) members. The Risk Management Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board's current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Risk Management Committee:

**Table No. (23): Risk Management Committee members**

Name	Position
Amin Mousa AlAfifi	Chairman (non-executive member of the Board)
Nidal Mohammed Radawan	Member (independent member of the Board)
Haitham Habib AlBakree	Member (executive member of the Board – CEO of the Company)

Source: The Company

#### Committee Functions:

The purpose of this Committee is to assist the Board of Directors in carrying out its supervisory responsibilities with respect to:

- Ensuring that the Company carries out risk-related functions in accordance with the Company's policies and procedures, statutory obligations, governance principles, and the Company's strategy.
- The Committee presents its reports, notes, and recommendations directly to the Board of Directors. The Committee's Chairman presents notes and recommendations to the Board Chairman according to powers and responsibilities.

The Risk Management Committee held two (2) meetings during 2020G.

## 4.4 Senior Management

The table below shows the names and details of Senior Management:

**Table No. (24): Senior Management**

Name	Position	Nationality	Age	Date of appointment	Shares owned*		
					Direct	Indirect	%
Haitham Habib AlBakree	Chief Executive Officer	Saudi	49	01/04/2013G	1,500	-	0.01%
Ali Ibrahim ElHussein	Commercial and Technical Advisor	Sudanese	71	01/04/2010G	-	-	0.00%
Sohail Fazl Abbas	Chief Financial Officer	Pakistani	60	01/04/2010G	-	-	0.00%
Ghassan Hamza Junaid	Head of Corporate Governance, Legal and Admin Acting Head of Human Capital	Saudi	48	01/04/2010G	-	-	0.00%
Mohammed Saed Bawzeer	Head of Compliance, AML and CTF	Saudi	33	01/02/2018G	-	-	0.00%
Majed Breek AQlGhamdi	Head of operations	Saudi	41	10/05/2015G	-	-	0.00%
Ahmed Mohammed Rambo	Head of Information Security	Saudi	30	13/10/2019G	-	-	0.00%
Mohammed Hashem Ammourah	Head of Strategy Implementation Acting Head of Commercial	American	37	10/03/2020G	-	-	0.00%
Pantelis Nicholas Messolonghitis	Head of Technical	Greek	53	01/08/2021G	-	-	0.00%
Mostafa Mohammed Dafterdar	Head of Risk Management	Saudi	46	06/02/2019G	-	-	0.00%
Ayman Faisal Abu Shusha	Head of Internal Audit	Saudi	35	07/06/2021G	-	-	0.00%
Murtaza Mustafa Quettawala	Actuary	Pakistani	33	01/05/2020G	-	-	0.00%
Sanea Mohammed Zeineddine	Head of Clients Care	Saudi	43	01/11/2018G	-	-	0.00%

Source: The Company

\* Ownership as of 15/02/2022G

## 4.5 Remuneration of Directors and Senior Executives

The table below shows the remuneration of the Directors and Senior Executives in 2018G, 2019G and 2020G.

**Table No. (25): Remuneration of Directors and Senior Executives**

('000' SAR)	2018G	2019G	2020G
Board of Directors	1,568	1,601	1,450
Top 5 Senior Executives	11,064	11,000	11,044

Source: The Company



## **5. Employees**

### **5.1 Employees' share schemes in place prior to filling the application for registration and offer of securities under this Prospectus**

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

### **5.2 Arrangements involving the employees in the Company's capital**

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



## 6. Financial Information and Management Discussion and Analysis

### 6.1 Introduction

The Financial Information and Management Discussion and Analysis section includes an analytical review of the Company's performance and financial position during the financial years ending on December 31, 2018G, 2019G and 2020G and the six-month period ending on June 30, 2021G, including comparative figures for the six-month period ending on June 30, 2020G. It is based and should be read in conjunction with the audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the unaudited interim condensed for the six-month period ending on June 30, 2021G including comparative figures for the six-month period ending on June 30, 2020G and the accompanying notes (hereinafter referred to as to the "**Financial Statements**").

The financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the accompanying notes, and the unaudited interim condensed financial statements ending on June 30, 2021G and the notes attached thereto, have been prepared in accordance with the 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 Certified Public Accountants (SOCPA).

The financial statements for the period ending on December 31, 2018G and 2019G were audited by Ernst & Young & Company Public Accountant (Professional LLC) and El Sayed El Ayouty & Company Certified Accountants, while the financial statements ending on December 31, 2020G were audited and the interim condensed financial statements ended on 30 June 2021G by Ernst & Young & Company Public Accountant (Professional LLC) and PricewaterhouseCoopers Chartered Accountants. The Company issues its financial statements in Saudi riyals.

The financial information contained in this Section is extracted without material changes from the audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the accompanying notes, and the unaudited interim condensed financial statements ending on June 30, 2021G and the notes attached thereto. The figures for the financial year ending on December 31, 2018G have been used as they are classified in the financial statements ending on December 31, 2019G, and the figures for the financial year ending on December 31, 2019G have been used as they are classified in the financial statements ending on December 31, 2020G.

### 6.2 Directors' declarations for financial statements

The Directors declare, to the best of their knowledge and belief, that:

- All material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents or facts if they are omitted, the data contained in this Prospectus will become misleading.
- The financial information presented in this Prospectus is extracted without material change from the audited financial statements for the financial years ending on December 31, 2019G and 2020G, as well as the unaudited interim condensed financial statements for the six-month period ending on June 30, 2021G. In addition, these statements have been prepared on a consolidated basis in accordance with the International Financial Reporting Standards (IFRS) that re endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).
- The Company does not have any issued and outstanding debt instruments or any loans, whether secured by a personal guarantee, or secured by a mortgage or not secured by a mortgage, including bank accounts overdrafts, commitments under acceptance, acceptance credit and lease purchase commitments.
- There is no right of option on the Company's capital as of the date of this Prospectus.
- The Company has sufficient financial resources to meet the working capital requirements for a period of 12-months immediately following the date of this Prospectus.
- There are no seasonal factors or economic cycles related to the Company's activity that may have an impact on the business and financial position of the Company.
- There is no information about any governmental, economic, fiscal, monetary or political policies or any other factors that affected or could materially affect, directly or indirectly, the operations of the Company, except as disclosed in Section 2 "**Risk Factors**".
- Except as disclosed in Subsection 6.8 "**Statement of Financial Position**" of this Section, there are no mortgages, rights or charges on the Company's property as of the date of this Prospectus.



- Except for what was disclosed in Subsection 6.7 **“Statement of Income”** of this Section, there has been no material adverse change in the financial or commercial position of the Company during the three years immediately preceding the date of submitting the application for registration and offer of securities subject to this Prospectus and during the period from the end of the period covered in the external auditors’ report up to and including the date of approval of this Prospectus.
- No commissions, discounts, brokerage fees, or other non-cash compensation were granted by the Company to any of the Directors, proposed directors, senior executives, persons offering or placing the securities, or experts who received any such payments or benefits during the financial years ending on December 31, 2018G, 2019G and 2020G and the six-month period ending on June 30, 2021G that are subject to this Prospectus in connection with the Rights Issue.
- The Company do not have any contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to verify, and which may significantly affect the assessment of the Company’s financial position.

### 6.3 Key Performance Indicators

The following table shows the Company’s key performance indicators for the financial years ending on December 31, 2018G, December 31, 2019G and December 31, 2020G, and for the period ending on June 30, 2021G:

Table No. (26): Key Performance Indicators

	Financial Year ended 31 December			Six months ended 30 June	
	2018G	2019G	2020G	2020G	2021G
Cession Ratio	39.8%	41.7%	39.2%	40.8%	39.3%
Loss Ratio	66.4%	74.3%	63.2%	56.9%	74.8%
Retention Ratio	59.1%	56.6%	58.9%	57.1%	58.4%
Expense Ratio	33.4%	24.3%	37.0%	43.8%	38.2%
Combined Ratio	98.2%	98.7%	99.1%	100.0%	112.9%
Gross Premiums Written Growth	23.1%	3.2%	6.9%	0.75%	10.9%

Source: The Company

### 6.4 Basis of preparation

#### Statement of compliance

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”), and other standards and pronouncements that are endorsed by Saudi organization for Certified Public Accountants (“SOCPA”) (referred to as “IFRS as endorsed in KSA”).

#### Basis of presentation and measurement

The financial statements have been prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investment held as fair value through statement of income (FVSI) and measurement of employees defined benefit obligations at present value using projected credit unit method. The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Investments, Deferred policy acquisition costs, Property and equipment, Intangible assets, outstanding claims and Technical reserves. All other financial statement line items would generally be classified as current unless stated otherwise.

As required by the Saudi Arabian Insurance Regulations **“SAMA Implementation Regulations”**, the Company maintains separate books of accounts for **“Insurance Operations”** and **“Shareholders’ Operations”**. SAMA Implementation Regulations require a clear segregation of assets, liabilities, income and expenses of the insurance and shareholders operations. Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. Note 29 to the financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

In preparing the Company’s financial statements in compliance with IFRS as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. Interoperation balances, transactions and unrealized gains and 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.

### Functional and presentation currency

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

### Fiscal year

The Company follows a fiscal year ending December 31.

### Critical accounting judgments estimates and assumptions

The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting year. Although the 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 continuously being evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

#### 1- 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 Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting year 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 Company. At the end of each reporting year, 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. 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. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

#### 2- Impairment of available-for-sale financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A year of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company 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.

#### 3- Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the 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.

#### 4- Fair value of financial instruments

Fair values of equity investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual funds. 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 by qualified personnel independent of those that sourced them. All models are certified before they are used, and 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.

## 6.5 Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of December 31, 2020G financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2019G except for the adoption of the following:

### New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from January 1, 2020G:

Standard / Amendments	Description
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform
Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 16	Covid-19-related Rent Concessions

The adoption of the above amendments to standards and interpretations did not have any significant impact on these financial statements.

### Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments	See note below
Amendments to IAS 1	Classification of Liabilities as Current or Noncurrent	January 1, 2022G.
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022G.
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022G.
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022G.
Annual Improvements to IFRS Standards 2018–2020	Improvements relating to: <ul style="list-style-type: none"> <li>• IFRS 9 Financial Instruments</li> <li>• IFRS 16 Leases</li> <li>• IFRS 1 First-time Adoption of IFRS</li> </ul>	January 1, 2022G.
Interest rate benchmark (IBOR) reform	Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021G.
IFRS 17	Insurance Contracts	January 1, 2023G.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements except for IFRS 9 and IFRS 17 as explained below.

## IFRS 9 – Financial instruments

This standard was published on July 24, 2014G. and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

### A- Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- 1- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- 2- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- 1- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and
- 2- the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in statement of income.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of income.

### B- Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

### C- Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as “**fair value macro hedges**”). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

#### Effective date

The published effective date of IFRS 9 was January 1, 2018G. However, amendments to IFRS 4 - Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016G, 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 IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- 1- apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - a- the effective date of a new insurance contract standard; or
  - b- annual reporting periods beginning on or after January 1, 2021G. The IASB extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023G. 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

- 2- 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 Company has performed a detailed assessment beginning January 1, 2017G: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

### Impact assessment

As at December 31, 2020G, the Company has total financial assets and insurance related assets amounting to SAR 592 million (2019G: SAR 678 million) and SAR 774 million (2019G: SAR 717 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SAR 592 million (2019G: SAR 678 million). Investments are carried currently at fair value through statement of income at SAR 162 million (2019G: SAR 110 million). Credit risk exposure, concentration of credit risk and credit quality of the company's receivables portfolio are mentioned in notes 6 and 7. The Company's financial assets have low credit risk as at December 31, 2020G and 2019G. 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 Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

## IFRS 17 – Insurance contracts

### Overview

This standard has been published on May 18, 2017G; 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 to separate the following components from insurance contracts:

- 1- embedded derivatives, if they meet certain specified criteria;
- 2- distinct investment components; and
- 3- 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 2015, IFRS 17 provides the following different measurement models:

#### 1- The General Measurement Model (GMM) is based on the following “building blocks”:

- a- the fulfilment cash flows (FCF), which comprises:
  - 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.
- b- the 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 profit or loss 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 but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

## 2- The Variable Fee Approach (VFA):

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

- 1- changes in the entity's share of the fair value of underlying items;
- 2- changes in the effect of the time value of money and 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 the remaining coverage if it provides a measurement that is not materially different from the general 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 model remains applicable for the measurement of 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.

### Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019G and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently January 1, 2021G. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2023G. This is a deferral of 2 years compared to the previous date of January 1, 2021G. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

### Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

### Presentation and disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

### Impact assessment

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:



Impact area	Summary of impact
Financial impact	A limited financial impact review was done, as required by the SAMA, for under writing during the year 2018G. The financial impact of applying requirements of IFRS 17 compared to IFRS 4 was not significant. A more detailed review is planned for the last quarter of 2021G.
Data impact	The Company believes that the data impact is not likely to be significant as a major proportion of the Company's business would qualify for measurement under the premium allocation approach.
IT systems	Oracle Financial Analyzer tool (OFSAA) has been procured by the Company to implement IFRS 17. Oracle Corporation has been awarded the contract to implement the OFSAA tool. Technical discussions between the Source core systems and the impacted systems have started. The impact analysis is in progress including the data benchmarking to comply IFRS 17 standards and reporting.
Process impact	The process impact is under evaluation, but no significant process changes are anticipated. However, should the Company shift its focus to majority long term business, the process impact would be significant.
Impact on reinsurance arrangements	The Company's reinsurance arrangements have been evaluated under the requirements of the IFRS 17 standard. The initial conclusion is that the reinsurance arrangements qualify for the PAA assessment. The initial conclusion is under constant review.
Impact on policies & control's frameworks	<p>The Company is in the process of updating Accounting and Finance Policies and Procedures to cover the new and additional requirement:</p> <ul style="list-style-type: none"> <li>• Unbundling</li> <li>• Level of aggregation</li> <li>• Measurement models</li> <li>• Risk Adjustment Methodologies</li> <li>• New presentation and disclosure requirement</li> </ul> <p>The revised manual will be followed by Finance function to ensure that financial statements are in conformity with IFRS 17 on the effective date.</p>
Human resources	<p>The Company has recruited several key personnel, including the Deputy CFO, Chief Technical Officer, who will play a key role in the IFRS 17 implementation. It has also developed a training plan and 3 training sessions have already been completed:</p> <ol style="list-style-type: none"> <li>1- IFRS 17 overview to all stake holders</li> <li>2- PAA Measurement Model</li> <li>3- GMM Measurement Model</li> </ol> <p>Remaining sessions are planned to be completed in 2021G.</p>

The Company has started with their implementation process and have set up a proper team, supervised by a steering committee

## 6.6 Significant accounting policies

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

### Insurance contracts

The Company 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 Company 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.

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third-party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "**Contractors all risk**" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "**Erection all risk**" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Extended Warranty insurance commences when the manufacturer warranty expires and covers all electrical and mechanical damages occurring to the vehicles, as covered in the original manufacturer warranty.

Term Life insurance is a policy that pays a pre-determined amount of money called "**sum insured**" at the time of the insured's death. It covers the insured for a period of time. At the expiration of the policy term no refunds or returns are allowed.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

## 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 year except for long term polices (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight-line method over the insurance policy coverage except for:

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo; and
- 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.

Unearned premiums represent the portion of premiums written relating to the unexpired year 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 year of risk.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

### Commission income

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.





## Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. 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 Company'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 Company 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.

## Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company 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.

## Reinsurance contracts held

Reinsurance is distributed between treaty, facultative and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 3(a) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. 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 Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 3(m).

Ceded reinsurance arrangements do not relieve the Company from its obligations 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.

## Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized 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. Amortization 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 amortization year 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 amortization 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.

## 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 statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

## Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. 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 as **“Allowance for impairment of doubtful debts”** in the statement of income. Receivable balances are derecognized when the Company 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 6 and 7 fall under the scope of IFRS 4 **“Insurance contracts”**.

## Investments

- 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 statement of comprehensive income under **“Net change in fair value – Available for sale investments”**. Realized gains or losses on sale of these investments are reported in the related statements of income under **“Realized gain / (loss) on investments available-for-sale investments.”**

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, 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 related statement of comprehensive income, as impairment charges.

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.

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.

### Reclassification:

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR) method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.



- Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in statement of income.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured. FVSI also includes investments managed by Fund manager under the discretionary portfolio of investments where all such investments are carried at fair value.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognized in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Interest income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

#### Reclassification

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances.

- Held-to-maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified under this category. These investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for impairment in value. Amortized 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 statement of income when the investment is derecognized or impaired.

#### De-recognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the Company has also transferred substantially all risks and rewards of ownership.

#### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised 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 in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

#### 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 Company 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 period generally established by regulation or convention in the marketplace.

## Impairment of financial assets

The Company 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 Company, 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 assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets carried at amortized 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 Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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 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 statement of income under "Realized gain / (loss) on investments available for sale investments.

The determination of what is 'significant' or 'prolonged' requires judgement. A year of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In assessing whether an investment in debt instrument is impaired, the Company 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 amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income.

## Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses, if any. 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year 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
Furniture and fixtures	5-10
Office equipment	3
Motor vehicles	4
Computer hardware & software	2



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” in the statement of income.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized, and the related expenditure is reflected in the statement of income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit (“CGU”) level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The estimated useful lives for the current year are as follows:

	Years
Software	10-15

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

**Leases**

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

**Impairment of non-financial assets**

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

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

## Defined benefit obligations

The Company operates an end of service benefit 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 year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Premeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

## Provisions, accrued expenses and other liabilities

Provisions are recognized when the Company 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. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## Cash and cash equivalents

Cash and cash equivalents consist of bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition.

## Cash flow statement

The Company'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.

## 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 statements of income and other comprehensive 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 statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

## Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (an operating segment), which is subject to risk and rewards that are different from those of other segments.

For management purposes, the Company is organized into business units based on their products and services and has the following major reportable segments:

- Marine provides coverage against losses and liability related to marine vessels and marine cargo.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Accident provides coverage against money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability provide general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.
- Extended warranty provides coverage against damages to motor vehicles after the manufacturer warranty expires.
- Term life provides coverage against the insured's death.



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 period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

### Statutory reserve

In accordance with the Company's by-laws, the Company 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.

### Fair values

The fair value of financial assets is based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

## 6.7 Statement of Income

The following table shows the Statement of Income for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (27): Statement of Income

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un-audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
<b>Revenues</b>									
Gross Premiums Written	712,324	735,044	785,881	482,462	535,180	3.2%	6.9%	10.9%	5.0%
Reinsurance Premiums Ceded	(283,649)	(306,595)	(308,159)	(196,725)	(210,169)	8.1%	0.5%	6.8%	4.2%
Excess of Loss Expenses	(8,006)	(12,743)	(14,742)	(10,224)	(12,429)	59.2%	15.7%	21.6%	35.7%
<b>Net Premiums Written</b>	<b>420,669</b>	<b>415,706</b>	<b>462,980</b>	<b>275,513</b>	<b>312,582</b>	<b>-1.2%</b>	<b>11.4%</b>	<b>13.5%</b>	<b>4.9%</b>
Net Changes in Unearned Premiums	(47,606)	(5,628)	(45,318)	(70,811)	(74,979)	-88.2%	705.2%	5.9%	-2.4%
<b>Net Premiums Earned</b>	<b>373,063</b>	<b>410,078</b>	<b>417,662</b>	<b>204,702</b>	<b>237,603</b>	<b>9.9%</b>	<b>1.8%</b>	<b>16.1%</b>	<b>5.8%</b>
Reinsurance Commissions	72,924	76,039	55,516	30,987	24,273	4.3%	-27.0%	-21.7%	-12.7%
Other Underwriting Income	406	319	190	81	252	-21.4%	-40.4%	211.1%	-31.6%
<b>Total Revenues</b>	<b>446,393</b>	<b>486,436</b>	<b>473,368</b>	<b>235,770</b>	<b>262,128</b>	<b>9.0%</b>	<b>-2.7%</b>	<b>11.2%</b>	<b>3.0%</b>
<b>Cost and Expenses</b>									
Gross Claims Paid and Loss Adjustment Expenses	298,609	541,208	344,154	143,321	220,753	81.2%	-36.4%	54.0%	7.4%
Reinsurers' Share of Claims Paid	(82,804)	(229,070)	(86,998)	(39,176)	(51,594)	176.6%	-62.0%	31.7%	2.5%

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (au- dited)	2020G (un- audited)	2021G (un- audited)	De- cember 2019G	De- cember 2020G	June 2021G	
<b>Net Claims Paid</b>	<b>215,805</b>	<b>312,138</b>	<b>257,156</b>	<b>104,145</b>	<b>169,159</b>	<b>44.6%</b>	<b>-17.6%</b>	<b>62.4%</b>	<b>9.2%</b>
Net Changes in Outstanding Claims	38,370	(5,993)	3,289	10,441	10,259	-115.6%	-154.9%	-1.7%	-70.7%
Net Changes in Claims Incurred but not Reported	(6,609)	9,955	3,540	1,927	(1,771)	-250.6%	-64.4%	-191.9%	-
<b>Net Claims Incurred</b>	<b>247,566</b>	<b>316,100</b>	<b>263,985</b>	<b>116,513</b>	<b>177,647</b>	<b>27.7%</b>	<b>-16.5%</b>	<b>52.5%</b>	<b>3.3%</b>
Reverse Reinsurance Reserves	(3,597)	-	-	-	-	-100.0%	-	-	-100.0%
Premium Deficiency Reserve	23,221	(12,376)	2,121	5,223	(3,206)	-153.3%	-117.1%	-161.4%	-69.8%
Additional Unexpired Risk Reserve	385	14	(196)	(262)	992	-96.4%	-1500.0%	-478.6%	-
Unallocated Loss Adjustment Expenses	3,507	1,507	(360)	293	(242)	-57.0%	-123.9%	-182.6%	-
Policy Acquisition Costs	65,318	65,015	60,576	32,205	32,022	-0.5%	-6.8%	-0.6%	-3.7%
Other Underwriting Expenses	-	2,735	10,978	1,896	15,618	-	301.4%	723.7%	-
<b>Total Underwriting Cost and Expenses</b>	<b>336,400</b>	<b>372,995</b>	<b>337,104</b>	<b>155,868</b>	<b>222,831</b>	<b>10.9%</b>	<b>-9.6%</b>	<b>43.0%</b>	<b>0.1%</b>
<b>Net Underwriting Income</b>	<b>109,993</b>	<b>113,441</b>	<b>136,264</b>	<b>79,902</b>	<b>39,297</b>	<b>3.1%</b>	<b>20.1%</b>	<b>-50.8%</b>	<b>11.3%</b>
<b>Other Operating (Expenses) / Income</b>									
Allowance for Impairment of Doubtful Premiums, Reinsurers and Other Receivables	(7,900)	(7,473)	(10,398)	(10,852)	(7,048)	-5.4%	39.1%	-35.1%	14.7%
General and Administrative Expenses	(95,272)	(107,594)	(119,453)	(66,088)	(61,185)	12.9%	11.0%	-7.4%	12.0%
Commission Income on Deposits	5,085	7,411	2,716	1,838	683	45.7%	-63.4%	-62.8%	-26.9%
Commission Income on Investments	-	-	-	-	77	-	-	-	-
Unrealized Profit on Investments	1,773	5,357	1,384	(529)	2,330	202.1%	-74.2%	-540.5%	-11.6%
Other Income	9,107	15,153	7,179	2,884	244	66.4%	-52.6%	-91.5%	-11.2%
<b>Net Total Other Operating Expenses</b>	<b>(87,207)</b>	<b>(87,146)</b>	<b>(118,572)</b>	<b>(72,747)</b>	<b>(64,899)</b>	<b>-0.1%</b>	<b>36.1%</b>	<b>-10.8%</b>	<b>16.6%</b>
<b>Net Income / (Loss)</b>									
<b>Net Income / (Loss) Before Allocation</b>	<b>22,786</b>	<b>26,295</b>	<b>17,692</b>	<b>7,155</b>	<b>(25,602)</b>	<b>15.4%</b>	<b>-32.7%</b>	<b>-457.8%</b>	<b>-11.9%</b>
<b>Net Income / (Loss) Attributed to the Policyholder</b>	<b>(2,353)</b>	<b>(2,512)</b>	<b>(2,468)</b>	<b>(1,153)</b>	<b>-</b>				
<b>Net Income / (Loss) Attributable to Shareholders Before Zakat and Income Tax</b>	<b>20,433</b>	<b>23,783</b>	<b>15,224</b>	<b>6,002</b>	<b>(25,602)</b>	<b>16.4%</b>	<b>-36.0%</b>	<b>-526.6%</b>	<b>-13.7%</b>
Zakat	(4,853)	(4,161)	(5,768)	(3,356)	(1,970)	-14.3%	38.6%	-41.3%	9.0%
Income Tax	(2,020)	(1,184)	(1,618)	(1,245)	-	-41.4%	36.7%	-100.0%	-10.5%

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un-audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
<b>Net Income / (Loss) Attributable to Shareholders</b>	<b>13,560</b>	<b>18,438</b>	<b>7,838</b>	<b>1,401</b>	<b>(27,572)</b>	<b>36.0%</b>	<b>-57.5%</b>	<b>-2068.0%</b>	<b>-24.0%</b>
<b>Other Comprehensive Income / (Loss)</b>									
Actuarial Losses on Defined Benefit Obligations	(1,364)	(927)	(238)	(350)	(268)	-32.0%	-74.3%	-23.4%	-58.2%
<b>Total Comprehensive Income / (Loss) Attributable to Shareholders</b>	<b>12,196</b>	<b>17,511</b>	<b>7,600</b>	<b>1,051</b>	<b>(27,840)</b>	<b>43.6%</b>	<b>-56.6%</b>	<b>-2748.9%</b>	<b>-21.1%</b>

Source: The Company and the Financial Statements

### Gross Premiums Written

Gross Premiums Written increased by 3.2% in 2019G compared to 2018G due to the growth in Term Life, Marine and Engineering sectors by 41.2%, 51.8% and 30.8%, respectively. This was partially offset by a decline of 8.1% in the Motor sector.

Gross Premiums Written increased by 6.9% in 2020G due to the growth in Motor, Accident & Liability and Property sectors by 9.6%, 51.9% and 15.4%, respectively. This was partially offset by a decline of 23.4% and 17.0% in the Marine and Term Life sectors, respectively.

Gross Premiums Written increased by 10.9% in the six months period ended on 30 June 2021G to the same period ended 30 June 2020G, driven by the growth in Property, Accident & liability, Motor and Engineering sectors by 40.5%, 38.3%, 3.9% and 24.5%, respectively. This was partially offset by a decline of 19.5% in the Term Life sector.

### Reinsurance Premiums Ceded

The Company manages its reinsurance arrangements through a reinsurance strategy. The Company's reinsurance program is a combination of proportional and non-proportional treaties including excess of loss arrangements, complemented by facultative arrangements.

Reinsurance Premiums Ceded increased by 8.1% in 2019G compared to 2018G, in line with the increase in Gross Premiums Written in the Marine, Term Life and Engineering sectors.

Reinsurance Premiums Ceded remained largely stable in 2019G and 2020G.

Reinsurance Premiums Ceded increased by 6.8% in the six-month period ending on June 30, 2021G compared to the same period ending on June 30, 2020G, driven by the increase the Gross Premiums Written in the Property and Accident & Liability sectors.

### Excess of Loss Expenses

Excess of Loss Expenses increased by 59.2% in 2019G compared to 2018G, driven by the increase in Excess of Loss Expenses related to the Motor, Property and Marine sectors.

Excess of Loss Expenses increased by 15.7% in 2020G driven by the increase in the Excess of Loss Expenses related to the Motor and Marine sectors.

Excess of Loss Expenses increased by 21.6% in the six months period ended on 30 June 2021G compared to the same period ended 30 June 2020G mainly driven by the Property sector.

## Net Premiums Written

Net Premiums Written decreased from SAR 420.7 million in 2018G to SAR 415.7 million in 2019G and then increased to SAR 463.0 million in 2020G. This year-on-year variance is in line with the Company's business in the Motor sector.

Net Premiums Written increased from SAR 275.5 million in the six months ended 30 June 2020G to reach SAR 312.5 million in the same period ended 30 June 2021G. This is mainly driven by the increase in the Company's business in the Motor sector as well as the Property sector.

## Net Premiums Earned

Net Premiums Earned increased by 9.9% in 2019G compared to 2018G, driven by the Motor sector despite the decline in business from this sector as the Company ceded 2.5% of its Gross Premiums Written in 2019G compared to 7.5% in 2018G.

Net Premiums Earned increased by 1.8% in 2020G, driven by the Term Life sector despite the decline in business from this sector as the Company ceded 65.4% of its Gross Premiums Written in 2020G compared to 85.5% in 2019G.

Net Premium Earned increased by 16.1% in the six months ended 30 June 2021G compared to the same period ending on 30 June 2020G. This increase is mainly due to the increase in Gross Premiums Written in the Motor sector combined with a decrease in Cession Ratio from 2.5% in the six months ended 30 June 2020G to 0% in the six months ended 30 June 2021G.

## Reinsurance Commissions

Reinsurance Commissions earned increased by 4.3% in 2019G compared to 2018G. The increase is mainly attributed to the Term Life, Marine and Engineering sectors, in line with the increase of Gross Premiums Written in these three sectors.

Reinsurance Commissions decreased by 27.0% in 2020G, mainly due to the decline in Reinsurance Commissions earned from the Term Life and Extended Warranty sectors.

Reinsurance Commissions earned decreased further by 21.7% in the six months ended 30 June 2021G compared to the respective period ended 30 June 2020G, due to a decline in the Reinsurance Commissions earned from the Term Life, Marine and Engineering sectors. This is in line with the accounting adjustment adopted by the Company whereby certain facultative arrangements were recorded on a net basis.

## Gross Claims Paid and Loss Adjustment Expenses

Gross Claims Paid and Loss Adjustment Expenses increased by 81.2% in 2019G compared to 2018G mainly due to the increase in Gross Claims Paid attributed to the Marine sector due to a high-value claim, in addition to an increase of Gross Claims Paid attributed to the Motor sector.

Gross Claims Paid and Loss Adjustment Expenses decreased by 36.4% in 2020G driven by the Marine and Motor sector as a result of the Covid-19 pandemic and the impact of the curfew imposed in the Kingdom.

Gross Claims Paid and Loss Adjustment Expenses increased by 54.0% in the six months ended 30 June 2021G compared to the same period ended 30 June 2020G, mainly due to higher paid claims attributed to the Motor sector partially driven by the normalization of operations as the curfew was lifted in 2021G.

## Reinsurers' Share of Claims Paid

Reinsurer's Shares of Claims Paid as percentage of Gross Claims Paid and Loss Adjustment Expenses increased from 27.7% in 2018G to 42.3% in 2019G. This was mainly due to the increase in Claims Paid attributed to the Marine sector (which is largely ceded).

Reinsurer's Shares of Claims Paid as percentage of Gross Claims Paid and Loss Adjustment Expenses declined to 25.3% in 2020G, driven by lower Claims Paid attributed to the Marine sector.

Reinsurer's Shares of Claims Paid as percentage of Gross Claims Paid and Loss Adjustment Expenses declined to 23.4% in the six months ended 30 June 2021G, compared to 27.3% in the respective period ended 30 June 2020G. This was predominantly due to an overall decline in Gross Claims Paid attributed to the Term Life, Marine and Accident & Liability sectors.



## Net Claims Paid

Net Claims Paid increased from 215.8 million in 2018G to SAR 312.1 million in 2019G and then decreased to SAR 257.2 million in 2020G. Net Claims Paid increased to SAR 169.2 million in the six months ended 30 June 2021G compared to SAR 104.1 million in the respective period ended 30 June 2020G. The variance over the years/period is mainly driven by the Motor sector where the Company retained the risk of claims to a large extent.

## Net Claims Incurred

Net Claims Incurred variance between 2018G and the six months ended on 30 June 2021G is in line with the Net Claims Paid over the years/period and is accordingly mainly driven by the Motor sector that represented 95.7%, 94.6%, 93.1% and 94.1% of the Total Net Claims incurred in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

## Premium Deficiency Reserve

Premium Deficiency Reserve was created by the actuary in 2013G to provide additional reserves against underwriting losses recorded as the actual claims experience indicated that some policies were potentially underpriced. The Premium Deficiency Reserve calculation is based on prospective assessment of profitability associated with unearned premium reserve.

## Policy Acquisition Costs

Policy Acquisition Costs are mainly related to expenses for securing insurance policies, mainly representing commissions paid to sales representatives and brokers. These costs are in line with movements in the Gross Premiums Written.

Policy Acquisition Costs did not record any significant change between 2018G and 2019G.

Policy Acquisition Costs declined by 6.8% in 2020G, due to a decline in the Policy Acquisition Costs attributed to the Extended Warranty and the Term Life sectors.

Policy Acquisition Costs did not record any significant change between the six months ended 30 June 2020G and the six months ended 30 June 2021G.

## General and Administrative Expenses

General and Administration Expenses consist mainly of Salaries and Benefits representing 58.2%, 65.4%, 60.9%, and 53.4% in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively. Salaries and Benefits are mainly comprised of basic salary, housing and transportation allowances, in addition to bonuses, contributions to the General Organization for Social Insurance, training and others.

## Net Income / (Loss) Before Allocation

The Company recorded Net Income before Allocation of SAR 22.8 million, SAR 26.3 million and SAR 17.7 million in 2018G, 2019G, 2020G, respectively. On the other hand, a loss of SAR 25.6 million was recorded in the six months ended 30 June 2021G.

## Net Income / (Loss) Attributable to Shareholders

The Company recorded Net Income of SAR 13.6 million, SAR 18.4 million and SAR 7.8 million in 2018G, 2019G, 2020G, respectively. A loss of SAR 27.6 million was recorded in the six months ended 30 June 2021G.

## Revenues

### Gross Premiums Written

The following table shows the Gross Premiums Written for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (28): Gross Premiums Written

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (au-dited)	2019G (au-dited)	2020G (au-dited)	2020G (un-audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	37,172	56,410	43,222	24,634	22,636	51.8%	-23.4%	-8.1%	7.8%
Property	103,137	106,868	123,282	80,248	112,722	3.6%	15.4%	40.5%	9.3%
Motor	424,786	390,207	427,826	255,340	265,252	-8.1%	9.6%	3.9%	0.4%
Engineering	41,553	54,334	59,011	35,640	44,359	30.8%	8.6%	24.5%	19.2%
Accident & Liability	32,940	32,121	48,807	30,055	41,559	-2.5%	51.9%	38.3%	21.7%
Extended Warranty	21,149	22,253	23,243	12,379	13,107	5.2%	4.4%	5.9%	4.8%
Term Life	51,587	72,851	60,490	44,166	35,545	41.2%	-17.0%	-19.5%	8.3%
<b>Gross Premiums Written</b>	<b>712,324</b>	<b>735,044</b>	<b>785,881</b>	<b>482,462</b>	<b>535,180</b>	<b>3.2%</b>	<b>6.9%</b>	<b>10.9%</b>	<b>5.0%</b>
<b>% of total</b>									
Marine	5.2%	7.7%	5.5%	5.1%	4.2%				
Property	14.5%	14.5%	15.7%	16.6%	21.1%				
Motor	59.6%	53.1%	54.4%	52.9%	49.6%				
Engineering	5.8%	7.4%	7.5%	7.4%	8.3%				
Accident & Liability	4.6%	4.4%	6.2%	6.2%	7.8%				
Extended Warranty	3.0%	3.0%	3.0%	2.6%	2.4%				
Term Life	7.2%	9.9%	7.7%	9.2%	6.6%				
<b>Gross Premiums Written</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>				

Source: The Company and the Financial Statements

Gross Premiums Written recorded between 2018G and the six months period ended 30 June 2021G are driven by Corporate and Individual clients, however, the majority of Gross Premiums Written relate to Corporate clients that accounted for 94.1% of the Gross Premiums Written during this period. Gross Premiums Written by Individual clients are mainly related to the Motor sector.

The Company issues all its insurance premiums from its head office in Jeddah and its branches in Riyadh and Al Khobar, however marketing operations are distributed throughout the Kingdom through direct sales (Company's branches), Brokers and Agents, representing 34.7%, 46.0% and 19.3% of the Gross Premiums Written between 2018G and the six months period ended 30 June 2021G, respectively.

The Company's sales are concentrated in the Western Region accounting for 73.0% of the Gross Premiums Written recorded between 2018G and the six months period ended 30 June 2021G, followed by the Central Region at 17.8% and the Eastern Region at 9.3%.

Motor is the Company's main business sector, accounting for 54.5% the Gross Premiums Written between 2018G and the six months period ended 30 June 2021G, followed by Property sector accounting for 16.1% of the Gross Premiums Written during the same period.

Gross Premiums Written increased by 3.2% in 2019G to reach SAR 735.0 million compared to SAR 712.3 million in 2018G due to the growth in Term Life, Marine and Engineering sectors by 41.2%, 51.8% and 30.8%, respectively.

Gross Premiums Written increased by 6.9% in 2020G to reach SAR 785.9 million due to the growth in Motor, Accident & Liability and Property sectors by 9.6%, 51.9% and 15.4%, respectively.

Gross Premiums Written increased by 10.9% in the six months period ended on 30 June 2021G to reach SAR 535.2 million compared to SAR 482.5 million for the same period ended 30 June 2020G, driven by the growth in Property, Accident & liability, Motor and Engineering sectors by 40.5%, 38.3%, 3.9% and 24.5%, respectively.

### Marine Insurance

Marine contributed to 5.2%, 7.7%, 5.5% and 4.2% of the Gross Premiums Written in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Gross Premiums Written for Marine increased by 51.8% in 2019G to reach SAR 56.4 million compared to SAR 31.2 million due to one new Marine Hull policy from a new client that generated premiums of SR 12.0 million.

Gross Premiums Written for Marine declined by 23.4% in 2020G to reach SAR 43.2 million as the Marine Hull policy from the new client in 2019G was not renewed.

Gross Premiums Written for Marine declined by 8.1% in the six months period ended on 30 June 2021G to reach SAR 22.6 million compared to SAR 24.6 million for the same period ended 30 June 2020G as some policies were not renewed within the normal course of business.

### Property Insurance

Property is the Company's second largest business sector, contributing to 14.5%, 14.5%, 15.7% and 21.1% of the Gross Premiums Written in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Gross Premiums Written for Property increased by 3.6% in 2019G to reach SAR 106.9 million compared to SAR 103.1 million in the normal course of business. Gross Premiums Written for Property further increased by 15.4% in 2020G to reach SAR 123.3 million, this is due to acquisition of three main clients that generated premiums of SR 15.0 million.

Gross Premiums Written for Property increased by 40.5% in the six months period ended on 30 June 2021G to reach SAR 112.7 million compared to SAR 80.2 million for the same period ended 30 June 2020G due to acquisition of one main client that generated premiums of SR 21.1 million.

### Motor Insurance

Motor is the Company's largest business sector, contributing to 59.6%, 53.1%, 54.4% and 49.6% of the Gross Premiums Written in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Gross Premiums Written for Motor declined by 8.1% in 2019G to reach SAR 390.2 million compared to SAR 424.8 million due to lower rates of renewal of insurance premiums.

Gross Premiums Written for Motor increased by 9.6% in 2020G to reach SAR 427.8 million, as the Company launched its digital platform to introduce auto lease. This increase is mainly attributed to policies from individual clients.

Gross Premiums Written for Motor increased by 3.9% in the six months period ended on 30 June 2021G to reach SAR 265.3 million compared to SAR 255.3 million for the same period ended 30 June 2020G as a result of attracting new individual clients through the digital platform, in line with the Company's strategy.

### Engineering Insurance

Engineering contributed to 5.8%, 7.4%, 7.5% and 8.3% of the Gross Premiums Written in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Gross Premiums Written for Engineering increased by 30.8% in 2019G to reach SAR 54.3 million compared to SAR 41.6 million in 2018G, due to acquisition of two key clients amounting to SR 13.0 million.

Gross Premiums Written for Engineering has further increased by 8.6% in 2020G to reach SAR 59.0 million, due to acquisition of a key client generated premiums of SR 8.1 million.

Gross Premiums Written for Engineering increased by 24.5% in the six months period ended on 30 June 2021G to reach SAR 44.4 million compared to SAR 35.6 million for the same period ended 30 June 2020G, due to the increase in an existing client premiums.

## Accident & Liability Insurance

Accident & Liability contributed to 4.6%, 4.4%, 6.2% and 7.8% of the Gross Premiums Written in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Gross Premiums Written for Accident & Liability declined by 2.5% in 2019G to reach SAR 32.1 million compared to SAR 32.9 million in the normal course of business.

Gross Premiums Written for Accident & Liability increased by 51.9% in 2020G to reach SAR 48.8 million. This is mainly on the account of winning business from new and existing clients.

Gross Premiums Written for Accident & Liability increased by 21.7% in the six months period ended on 30 June 2021G to reach SAR 41.6 million compared to SAR 30.1 million for the same period ended 30 June 2020G due to acquisition of a key client generated premiums of SR 6.1 million.

## Extended Warranty Insurance

Extended Warranty contributed to 3.0%, 3.0%, 3.0% and 2.4% of the Gross Premiums Written in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Gross Premiums Written for Extended Warranty increased from SAR 21.1 million in 2018G to SAR 22.3 million in 2019G and to SAR 23.2 million in 2020G, within the normal course of business from existing customers.

Gross Premiums Written for Extended Warranty increased by 5.9% in the six months period ended on 30 June 2021G to reach SAR 13.1 million compared to SAR 12.4 million for the same period ended 30 June 2020G within the normal course of business.

## Term Life Insurance

Term Life contributed to 7.2%, 9.9%, 7.7% and 6.6% of the Gross Premiums Written in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Gross Premiums Written for Term Life increased by 41.2% in 2019G to reach SAR 72.9 million compared to SAR 51.6 million due an increase in existing client business -where one of the main clients in this sector subscribed to additional policies amounting to SAR 8.0 million-. Also, to winning business from one new corporate client generating SR 9.1 million.

Gross Premiums Written for Term Life declined by 17.0% in 2020G to reach SAR 60.5 million due to the loss of a key client.

Gross Premiums Written for Term Life declined by 19.5% in the six months period ended on 30 June 2021G to reach SAR 35.6 million compared to SAR 44.2 million for the same period ended 30 June 2020G due to loss of a key client.

## Reinsurance Premiums Ceded

The following table shows the Reinsurance Premiums Ceded for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

**Table No. (29): Reinsurance Premiums Ceded**

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (au-dited)	2019G (au-dited)	2020G (au-dited)	2020G (unau-dited)	2021G (unau-dited)	De-cember 2019G	De-cember 2020G	June 2021G	
Marine	26,749	43,419	31,813	18,831	15,406	62.3%	-26.7%	-18.2%	9.1%
Property	95,024	95,310	112,083	72,693	93,688	0.3%	17.6%	28.9%	8.6%
Motor	31,941	9,764	6,164	6,374	(51)	-69.4%	-36.9%	-100.8%	-56.1%
Engineering	38,385	50,740	54,815	33,702	37,098	32.2%	8.0%	10.1%	19.5%
Accident & Liability	24,723	22,821	40,467	23,548	35,573	-7.7%	77.3%	51.1%	27.9%
Extended Warranty	21,149	22,253	23,243	12,379	8,642	5.2%	4.4%	-30.2%	4.8%
Term Life	45,678	62,288	39,574	29,198	19,813	36.4%	-36.5%	-32.1%	-6.9%
<b>Reinsurance Premiums Ceded</b>	<b>283,649</b>	<b>306,595</b>	<b>308,159</b>	<b>196,725</b>	<b>210,169</b>	<b>8.1%</b>	<b>0.5%</b>	<b>6.8%</b>	<b>4.2%</b>

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (au-dited)	2019G (au-dited)	2020G (au-dited)	2020G (unau-dited)	2021G (unau-dited)	De-cember 2019G	De-cember 2020G	June 2021G	
<b>Cession Ratio: Reinsurance Premiums Ceded / Gross Premiums Written</b>									
Marine	72.0%	77.0%	73.6%	76.4%	68.1%				
Property	92.1%	89.2%	90.9%	90.6%	83.1%				
Motor	7.5%	2.5%	1.4%	2.5%	0.0%				
Engineering	92.4%	93.4%	92.9%	94.6%	83.6%				
Accident & Liability	75.1%	71.0%	82.9%	78.3%	85.6%				
Extended Warranty	100.0%	100.0%	100.0%	100.0%	65.9%				
Term Life	88.5%	85.5%	65.4%	66.1%	55.7%				
<b>Reinsurance Premiums Ceded</b>	<b>39.8%</b>	<b>41.7%</b>	<b>39.2%</b>	<b>40.8%</b>	<b>39.3%</b>				

Source: The Company and the Financial Statements

The Company's reinsurance program is a combination of proportional and non-proportional treaties including excess of loss arrangements, complemented by facultative arrangements. The Company manages its reinsurance arrangements through a reinsurance strategy.

Total Reinsurance Premiums Ceded averaged 40.0% of the Gross Premiums Written between 2018G and the six months ended 30 June 2021G. The main sectors ceded between 2018G and the six months ended 30 June 2021G were the Extended Warranty sector at an average of 94.9%, followed by the Engineering sector at an average of 90.9%, the Property sector at an average of 88.8% and the Accident and Liability sector at an average of 79.5%.

It is worth noting that in 2020G the Company adopted a new accounting adjustment strategy, whereby the facultative cessions in some cases were shown on a net basis.

Reinsurance Premiums Ceded increased by 8.1% in 2019G to reach SAR 306.5 million compared to SAR 283.6 million in 2018G in line with the increase in Gross Premiums Written in the Marine, Term Life and Engineering sectors.

Reinsurance Premiums Ceded remained largely stable in 2019G and 2020G.

Reinsurance Premiums Ceded increased by 6.8% in the six-months ended 30 June 2021G to reach SAR 210.2 million compared to SAR 196.7 million for the same period ended on 30 June 2020G. This is mainly due to the increase in the Gross Premiums Written in the Property and Accident & liability sectors.

## Marine Insurance

Cession Ratio in the Marine sector was 72.0%, 77.0%, 73.6%, and 68.1% in 2018G, 2019G, 2020G and the six months ended 30 June 2021G, respectively. Reinsurance Premiums Ceded in this sector have changed in line with the change in Gross Premiums Written during this period.

## Property Insurance

Cession Ratio in the Property sector was 92.1%, 89.2%, 90.9% and 83.1% in 2018G, 2019G, 2020G and the six months ended 30 June 2021G, respectively, due to the size of risks and level of risk exposure. Due to the high ratio, Reinsurance Premiums Ceded in this sector have changed in line with the change in Gross Premiums Written.

## Motor Insurance

The Company retains the highest percentage of Gross Premiums Written in the motor policies, therefore the Cession Ratio was the lowest for this sector when compared to other sectors. Cession Ratio in the Motor sector was 7.5%, 2.5%, 1.4%, and 0.0% in 2018G, 2019G, 2020G and the six months ended 30 June 2021G, respectively. Accordingly, Reinsurance Premiums Ceded from this sector were not significant during this period.

## Engineering Insurance

Due to the size of risks and level of risk exposure in the Engineering sector, Gross Premiums Written were 92.4%, 93.4%, 92.9%, and 83.6% ceded in 2018G, 2019G, 2020G and the six months ended 30 June 2021G, respectively. Cession Ratio decrease in the six months ended 30 June 2021G is attributed to the accounting adjustment adopted by the Company in respect of facultative cessions being recorded on a net basis.

The movement in Reinsurance Premiums Ceded for this sector was directly related to the movement in the Gross Premiums Written between 2018G and the six months ended 30 June 2021G.

## Accident & Liability Insurance

Cession Ratio in the Engineering sector was 75.1%, 71.0%, 82.9%, and 85.6% in 2018G, 2019G, 2020G and the six months ended 30 June 2021G, respectively. Cession Ratio in the Engineering sector increased in 2020G and the six months ended 30 June 2021G in the ordinary course of business and in line with the reinsurance strategy adopted by the Company.

Reinsurance Premiums Ceded in this sector have changed in line with the change in Gross Premiums Written between 2018G and the six months ended 30 June 2021G.

## Extended Warranty Insurance

Gross Premiums Written for the Extended Warranty sector was 100% ceded in 2018G, 2019G and 2020G and 65.9% ceded in the six months ended 30 June 2021G. The Cession Ratio decrease to 65.9% in the six months ended 30 June 2021G is due to the accounting adjustment adopted by the Company in respect of facultative cessions being recorded on a net basis.

The movement in Reinsurance Premiums Ceded for this sector was directly related to the movement in the Gross Premiums Written.

## Term Life Insurance

Cession Ratio in the Term Life sector was 88.5%, 85.5%, 65.4% and 55.7% in 2018G, 2019G, 2020G and the six months ended 30 June 2021G, respectively. The decrease in the Cession Ratio over the period is due to the accounting adjustment adopted by the Company in respect of facultative cessions being recorded on a net basis.

Reinsurance Premiums Ceded in this sector have largely changed in line with the change in Gross Premiums Written between 2018G and the six months ended 30 June 2021G.

## Excess of Loss Expenses

Excess of Loss is a non-relative type of reinsurance agreement where the insured must waive certain risks within certain amounts exceeding the value of the loss that the insured agreed to accept, and the reinsurer undertakes to accept the insurance for the risks assigned to him.

Motor sector contributed to 43.4% of the total Excess of Loss Expenses between 2018G and the six months ended 30 June 2021G, followed by Property and Marine sectors that contributed to 27.1% and 18.3%, respectively.

Excess of Loss Expenses increased by 59.2% in 2019G to reach SAR 12.7 million compared to SAR 8.0 million in 2018G. The increase is due to the increase in Excess of Loss Expenses related to the Motor, Property and Marine sectors.

Excess of Loss Expenses increased by 15.7% in 2020G to reach SAR 14.7 million driven by the increase in the Excess of Loss Expenses related to the Motor and Marine sectors.

Excess of Loss Expenses increased by 21.6% in the six months period ended on 30 June 2021G to reach SAR 12.4 million compared to SAR 10.2 million for the same period ended 30 June 2020G mainly driven by the Property sector.



## Net Premiums Written

The following table shows the Net Premiums Written for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (30): Net Premiums Written

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (au-dited)	2020G (au-dited)	2020G (un-audited)	2021G (un-audited)	De-cember 2019G	De-cember 2020G	June 2021G	
Marine	9,370	10,701	8,074	2,934	5,122	14.2%	-24.5%	74.6%	-7.2%
Property	5,928	7,949	8,312	6,105	14,710	34.1%	4.6%	141.0%	18.4%
Motor	388,943	375,018	414,747	243,841	260,745	-3.6%	10.6%	6.9%	3.3%
Engineering	2,447	2,594	2,771	1,338	5,822	6.0%	6.8%	335.1%	6.4%
Accident & Liability	8,151	9,000	8,160	6,327	5,986	10.4%	-9.3%	-5.4%	0.1%
Extended Warranty	-	-	-	-	4,465	-	-	-	-
Term Life	5,830	10,444	20,916	14,968	15,732	79.1%	100.3%	5.1%	89.4%
<b>Net Premiums Written</b>	<b>420,669</b>	<b>415,706</b>	<b>462,980</b>	<b>275,513</b>	<b>312,582</b>	<b>-1.2%</b>	<b>11.4%</b>	<b>13.5%</b>	<b>4.9%</b>
<b>Retention Ratio: Net Premiums Written / Gross Premiums Written</b>									
Marine	25.2%	19.0%	18.7%	11.9%	22.6%				
Property	5.7%	7.4%	6.7%	7.6%	13.0%				
Motor	91.6%	96.1%	96.9%	95.5%	98.3%				
Engineering	5.9%	4.8%	4.7%	3.8%	13.1%				
Accident & Liability	24.7%	28.0%	16.7%	21.1%	14.4%				
Extended Warranty	0.0%	0.0%	0.0%	0.0%	34.1%				
Term Life	11.3%	14.3%	34.6%	33.9%	44.3%				
<b>Net Premiums Written</b>	<b>59.1%</b>	<b>56.6%</b>	<b>58.9%</b>	<b>57.1%</b>	<b>58.4%</b>				

Source: The Company and the Financial Statements

The variance in the Net Premiums Written is largely dependent on the Motor sector, which has the highest Retention Ratio among all other insurance sectors amounting to an average of 95.4% between 2018G and the six months ended 30 June 2021G.

Net Premiums Written from the Motor sector represented the highest percentage of the Total Net Premiums Written between 2018G and the six months ended 30 June 2021G with an average of 89.3%.

Net Premiums Written decreased from SAR 420.7 million in 2018G to SAR 415.7 million in 2019G and then increased to SAR 463.0 million in 2020G. This year-on-year variance is in line with the Company's business in the Motor sector.

Net Premiums Written increased by 13.5% in the six months ended 30 June 2021G, to reach SAR 312.6 million compared to SAR 275.5 million in the respective period ended on 30 June 2020G. This is mainly driven by the increase in the Company's business in the Motor sector as well as the Property sector.

## Net Changes in Unearned Premiums

Net Changes in Unearned Premiums represents the difference between Net Premiums Written and Net Premiums Earned during each year/period.

## Net Premiums Earned

The following table shows the Net Premiums Earned for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (31): Net Premiums Earned

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un-audited)	2021G (un-audited)	De-cember 2019G	De-cember 2020G	June 2021G	
Marine	8,767	10,014	8,731	4,643	4,947	14.2%	-12.8%	6.5%	-0.2%
Property	6,087	7,630	8,054	3,805	4,708	25.3%	5.6%	23.7%	15.0%
Motor	338,954	371,685	371,345	182,155	211,744	9.7%	-0.1%	16.2%	4.7%
Engineering	4,347	2,161	2,309	1,214	2,679	-50.3%	6.8%	120.7%	-27.1%
Accident & Liability	8,576	8,240	8,820	4,484	3,802	-3.9%	7.0%	-15.2%	1.4%
Extended Warranty	-	-	-	-	270	-	-	-	-
Term Life	6,332	10,348	18,403	8,401	9,453	63.4%	77.8%	12.5%	70.5%
<b>Net Premiums Earned</b>	<b>373,063</b>	<b>410,078</b>	<b>417,662</b>	<b>204,702</b>	<b>237,603</b>	<b>9.9%</b>	<b>1.8%</b>	<b>16.1%</b>	<b>5.8%</b>
<b>% of total</b>									
Marine	2.4%	2.4%	2.1%	2.3%	2.1%				
Property	1.6%	1.9%	1.9%	1.9%	2.0%				
Motor	90.9%	90.6%	88.9%	89.0%	89.1%				
Engineering	1.2%	0.5%	0.6%	0.6%	1.1%				
Accident & Liability	2.3%	2.0%	2.1%	2.2%	1.6%				
Extended Warranty	0.0%	0.0%	0.0%	0.0%	0.1%				
Term Life	1.7%	2.5%	4.4%	4.1%	4.0%				
<b>Net Premiums Earned</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>				

Source: The Company and the Financial Statements

The Motor sector had the highest percentage of the Net Premiums Earned between 2018G and the six months ended 30 June 2021G, as the Company retained the largest part of its operations. The Motor sector contributed 90.9%, 90.6%, 88.9% and 89.1% in 2018G, 2019G, 2020G and six months ended 30 June 2021G, respectively.

Net Premiums Earned increased by 9.9% in 2019G to reach SAR 410.1 million compared to SAR 373.1 million in 2018G. This increase is driven by an increase of SAR 32.7 million in the Net Premiums Earned from the Motor sector despite the decline in business from this sector as the Company ceded 2.5% of its Gross Premiums Written in 2019G compared to 7.5% in 2018G.

Net Premiums Earned increased by 1.8% in 2020G to reach SAR 417.7 million. This increase is driven by the Term Life sector despite the decline in business from this sector as the Company ceded 65.4% of its Gross Premiums Written in 2020G compared to 85.5% in 2019G.

Net Premium Earned increased by 16.1% in the six months ended 30 June 2021G to reach SAR 237.6 million compared to SAR 204.7 million in the six months ended 30 June 2020G. This increase is mainly due to the increase in Gross Premiums Written in the Motor sector combined with a decrease in Cession Ratio from 2.5% in the six months ended 30 June 2020G to 0% in the six months ended 30 June 2021G.

## Reinsurance Commissions

The following table shows the Reinsurance Commissions for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G

Table No. (32): Reinsurance Commissions

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (au-dited)	2020G (au-dited)	2020G (un-audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	7,007	9,859	9,402	6,564	4,125	40.7%	-4.6%	-37.2%	15.8%
Property	20,382	19,038	19,357	9,064	10,084	-6.6%	1.7%	11.3%	-2.5%
Motor	5,392	2,906	1,280	724	196	-46.1%	-56.0%	-72.9%	-51.3%
Engineering	7,445	9,877	11,549	6,561	4,215	32.7%	16.9%	-35.8%	24.5%
Accident & Liability	5,699	5,832	6,620	3,333	3,781	2.3%	13.5%	13.4%	7.8%
Extended Warranty	12,860	10,469	2,654	1,097	1,774	-18.6%	-74.6%	61.7%	-54.6%
Term Life	14,139	18,058	4,654	3,644	98	27.7%	-74.2%	-97.3%	-42.6%
<b>Reinsurance Commissions</b>	<b>72,924</b>	<b>76,039</b>	<b>55,516</b>	<b>30,987</b>	<b>24,273</b>	<b>4.3%</b>	<b>-27.0%</b>	<b>-21.7%</b>	<b>-12.7%</b>
<b>% of total</b>									
Marine	9.6%	13.0%	16.9%	21.2%	17.0%				
Property	27.9%	25.0%	34.9%	29.3%	41.5%				
Motor	7.4%	3.8%	2.3%	2.3%	0.8%				
Engineering	10.2%	13.0%	20.8%	21.2%	17.4%				
Accident & Liability	7.8%	7.7%	11.9%	10.8%	15.6%				
Extended Warranty	17.6%	13.8%	4.8%	3.5%	7.3%				
Term Life	19.4%	23.7%	8.4%	11.8%	0.4%				
<b>Reinsurance Commissions</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>				

Source: The Company and the Financial Statements

Reinsurance Commissions represents the commission earned from reinsurers. The rate of Reinsurance Commissions depends on the type of reinsurance based on the agreement with individual reinsurers.

Reinsurance Commissions earned from the Property sector, Extended Warranty sector, the Term Life sector and Engineering sector accounted for 75.2%, 75.5%, 68.8%, and 66.6% of the Total Reinsurance Commissions income (on a joint basis) in 2018G, 2019G, 2020G and six months ended 30 June 2021G, respectively. This was primarily driven by the higher Cession Ratios associated with these business sectors.

Reinsurance Commissions earned increased by 4.3% in 2019G reaching SAR 76.0 million compared to SAR 72.9 million in 2018G. The increase is mainly due to an increase of SAR 3.9 million in the Reinsurance Commissions earned from the Term Life sector, followed by an increase of SAR 2.9 million and SAR 2.4 million in the Reinsurance Commissions acquired from the Marine and Engineering sectors, respectively, in line with the increase of Gross Premiums Written in these three sectors.

Reinsurance Commissions earned decreased by 27.0% in 2020G reaching SAR 55.5 million, mainly due to a decline of 74.2% and 74.6% in the Reinsurance Commissions earned from the Term Life and Extended Warranty sectors, respectively.

Reinsurance Commissions earned decreased further by 21.7% in the six months ended 30 June 2021G, reaching SAR 24.3 million compared to SAR 30.9 million in the respective period ended 30 June 2020G, due to a decline of 97.3%, 37.2% and 35.8% in the Reinsurance Commissions earned from the Term Life, Marine and Engineering sectors, respectively. This is in line with the accounting adjustment adopted by the Company whereby certain facultative arrangements were recorded on a net basis.

## Other Underwriting Income

Other underwriting income relates to a nominal administrative amount that the Company charges when issuing and renewing insurance policies. The movement of this revenue is in line with the fluctuation in the number of new policies being issued during the year or period.

## Costs and Expenses

### Gross Claims Paid and Loss Adjustment Expenses

The following table shows the Gross Claims Paid and Loss Adjustment Expenses for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (33): Gross Claims Paid and Loss Adjustment Expenses

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (au-dited)	2019G (au-dited)	2020G (au-dited)	2020G (unau-dited)	2021G (unau-dited)	December 2019G	December 2020G	June 2021G	
Marine	8,495	135,004	11,596	6,251	3,138	1489.2%	-91.4%	-49.8%	16.8%
Property	4,781	26,023	8,614	3,964	20,367	444.3%	-66.9%	413.8%	34.2%
Motor	229,591	315,191	247,972	99,982	162,321	37.3%	-21.3%	62.4%	3.9%
Engineering	15,356	13,306	7,640	1,957	10,919	-13.3%	-42.6%	457.9%	-29.5%
Accident & Liability	4,564	3,600	6,233	4,543	879	-21.1%	73.1%	-80.7%	16.9%
Extended Warranty	6,753	5,384	4,627	2,540	3,078	-20.3%	-14.1%	21.2%	-17.2%
Term Life	29,069	42,700	57,472	24,084	20,051	46.9%	34.6%	-16.7%	40.6%
<b>Gross Claims Paid and Loss Adjustment Expenses</b>	<b>298,609</b>	<b>541,208</b>	<b>344,154</b>	<b>143,321</b>	<b>220,753</b>	<b>81.2%</b>	<b>-36.4%</b>	<b>54.0%</b>	<b>7.4%</b>
<b>Gross Claims Paid and Loss Adjustment Expenses / Gross Premiums Written</b>									
Marine	22.9%	239.3%	26.8%	25.4%	13.9%				
Property	4.6%	24.4%	7.0%	4.9%	18.1%				
Motor	54.0%	80.8%	58.0%	39.2%	61.2%				
Engineering	37.0%	24.5%	12.9%	5.5%	24.6%				
Accident & Liability	13.9%	11.2%	12.8%	15.1%	2.1%				
Extended Warranty	31.9%	24.2%	19.9%	20.5%	23.5%				
Term Life	56.3%	58.6%	95.0%	54.5%	56.4%				
<b>Gross Claims Paid and Loss Adjustment Expenses</b>	<b>41.9%</b>	<b>73.6%</b>	<b>43.8%</b>	<b>29.7%</b>	<b>41.2%</b>				

Source: The Company and the Financial Statements

The Motor sector accounted for the highest ratio of the Gross Claims Paid and Loss Adjustment Expenses between 2018G and the six months ended on 30 June 2021G, representing 68.0% of the Gross Claims Paid and Loss Adjustment Expenses during this period.

Gross Claims Paid and Loss Adjustment Expenses increased by 81.2% in 2019G reaching SAR 541.2 million compared to SAR 298.6 million in 2018G mainly due to the increase in Gross Claims Paid attributed to the Marine sector due to one claim of SAR 125 million, in addition to an increase of Gross Claims Paid attributed to the Motor sector due to a major client which was written in 2018G and claims matured in 2019G.

Gross Claims Paid and Loss Adjustment Expenses decreased by 36.4% in 2020G reaching SAR 344.2 million driven by the Marine and Motor sector as a result of the Covid-19 pandemic and the impact of the curfew imposed in the Kingdom.

Gross Claims Paid and Loss Adjustment Expenses increased by 54.0% in the six months ended 30 June 2021G reaching SAR 220.7 million compared to SAR 143.3 million in the respective period ended 30 June 2020G, mainly due to higher paid claims attributed to the Motor sector partially driven by the normalization of operations as the curfew was lifted in 2021G.

## Reinsurers' Share of Paid Claims

The following table shows the Reinsurers' Share of Paid Claims for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

**Table No. (34): Reinsurers' Share of Paid Claims**

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (au-dited)	2019G (au-dited)	2020G (au-dited)	2020G (un-audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	6,742	131,960	8,598	4,848	2,340	1857.3%	-93.5%	-51.7%	12.9%
Property	4,161	23,757	8,022	3,680	17,168	470.9%	-66.2%	366.5%	38.8%
Motor	22,493	17,148	6,410	2,828	1,932	-23.8%	-62.6%	-31.7%	-46.6%
Engineering	14,753	12,438	7,005	1,690	10,129	-15.7%	-43.7%	499.3%	-31.1%
Accident & Liability	2,704	2,851	4,999	3,669	492	5.4%	75.3%	-86.6%	36.0%
Extended Warranty	6,753	5,384	4,627	2,540	3,078	-20.3%	-14.1%	21.2%	-17.2%
Term Life	25,198	35,532	47,337	19,921	16,455	41.0%	33.2%	-17.4%	37.1%
<b>Reinsurers' shares of Claims Paid</b>	<b>82,804</b>	<b>229,070</b>	<b>86,998</b>	<b>39,176</b>	<b>51,594</b>	<b>176.6%</b>	<b>-62.0%</b>	<b>31.7%</b>	<b>2.5%</b>
<b>Reinsurers' shares of Claims Paid / Gross Claims Paid and Loss Adjustment Expenses</b>									
Marine	79.4%	97.7%	74.1%	77.6%	74.6%				
Property	87.0%	91.3%	93.1%	92.8%	84.3%				
Motor	9.8%	5.4%	2.6%	2.8%	1.2%				
Engineering	96.1%	93.5%	91.7%	86.4%	92.8%				
Accident & Liability	59.2%	79.2%	80.2%	80.8%	56.0%				
Extended Warranty	100.0%	100.0%	100.0%	100.0%	100.0%				
Term Life	86.7%	83.2%	82.4%	82.7%	82.1%				
<b>Reinsurers' shares of Claims Paid</b>	<b>27.7%</b>	<b>42.3%</b>	<b>25.3%</b>	<b>27.3%</b>	<b>23.4%</b>				

Source: The Company and the Financial Statements

Reinsurers' shares of Claims Paid is determined by the reinsurance agreement of each insurance sector in the Company.

Reinsurer's Shares of Claims Paid as percentage of Gross Claims Paid and Loss Adjustment Expenses increased from 27.7% in 2018G to 42.3% in 2019G. This was mainly due to the increase in Claims Paid attributed to the Marine Sector (which is largely ceded).

Reinsurer's Shares of Claims Paid as percentage of Gross Claims Paid and Loss Adjustment Expenses declined to 25.3% in 2020G, driven by lower Claims Paid attributed to the Marine sector.

Reinsurer's Shares of Claims Paid as percentage of Gross Claims Paid and Loss Adjustment Expenses declined to 23.4% in the six months ended 30 June 2021G, compared to 27.3% in the respective period ended 30 June 2020G. This was predominantly due to an overall decline in Gross Claims Paid attributed to the Term Life, Marine and Accident & Liability sectors.

## Net Claims Paid

The following table shows the Net Claims Paid for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (35): Net Claims Paid

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un-audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	1,753	3,044	2,998	1,403	798	73.6%	-1.5%	-43.1%	30.8%
Property	620	2,266	592	284	3,199	265.5%	-73.9%	1026.4%	-2.3%
Motor	207,098	298,043	241,562	97,154	160,389	43.9%	-19.0%	65.1%	8.0%
Engineering	603	868	635	267	790	43.9%	-26.8%	195.9%	2.6%
Accident & Liability	1,860	749	1,234	874	387	-59.7%	64.8%	-55.7%	-18.5%
Extended Warranty	-	-	-	-	-	-	-	-	-
Term Life	3,871	7,168	10,135	4,163	3,596	85.2%	41.4%	-13.6%	61.8%
<b>Net Claims Paid</b>	<b>215,805</b>	<b>312,138</b>	<b>257,156</b>	<b>104,145</b>	<b>169,159</b>	<b>44.6%</b>	<b>-17.6%</b>	<b>62.4%</b>	<b>9.2%</b>
<b>Net Claims Paid / Gross Claims Paid and Loss Adjustment Expenses</b>									
Marine	20.6%	2.3%	25.9%	22.4%	25.4%				
Property	13.0%	8.7%	6.9%	7.2%	15.7%				
Motor	90.2%	94.6%	97.4%	97.2%	98.8%				
Engineering	3.9%	6.5%	8.3%	13.6%	7.2%				
Accident & Liability	40.8%	20.8%	19.8%	19.2%	44.0%				
Extended Warranty	0.0%	0.0%	0.0%	0.0%	0.0%				
Term Life	13.3%	16.8%	17.6%	17.3%	17.9%				
<b>Net Claims Paid</b>	<b>72.3%</b>	<b>57.7%</b>	<b>74.7%</b>	<b>72.7%</b>	<b>76.6%</b>				

Source: The Company and the Financial Statements

Changes in the Net Claims Paid reflect the combined effect of trends in Gross Claims Paid and Loss Adjustment Expenses and Reinsurers' shares of Claims Paid.

Net Claims Paid increased from 215.8 million in 2018G to SAR 312.1 million in 2019G and then decreased to SAR 257.2 million in 2020G. Net Claims Paid increased to SAR 169.2 million in the six months ended 30 June 2021G compared to SAR 104.1 million in the respective period ended 30 June 2020G. The variance over the years/period is mainly driven by the Motor sector where the Company retained the risk of claims to a large extent.

## Net Changes in Outstanding Claims

Net Changes in Outstanding Claims represent changes in the estimated claims reserve and the Claims Incurred but not Reported which are calculated by the Actuary during this period.

## Net Changes in Claims Incurred but not Reported

Net Changes in Claims Incurred but not Reported is an estimation of claims calculated by the actuary 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.

## Net Claims Incurred

The following table shows the Net Claims Incurred for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (36): Net Claims Incurred

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (au-dited)	2019G (au-dited)	2020G (au-dited)	2020G (un-audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	2,739	3,688	1,300	940	1,109	34.6%	-64.8%	18.0%	-31.1%
Property	(452)	2,728	4,709	2,146	6,406	-703.5%	72.6%	198.5%	-
Motor	236,827	299,161	245,860	107,758	167,085	26.3%	-17.8%	55.1%	1.9%
Engineering	1,968	2,240	938	65	(86)	13.8%	-58.1%	-232.3%	-31.0%
Accident & Liability	1,941	1,586	655	557	114	-18.3%	-58.7%	-79.5%	-41.9%
Extended Warranty	-	-	-	-	-	-	-	-	-
Term Life	4,543	6,697	10,523	5,047	3,019	47.4%	57.1%	-40.2%	52.2%
<b>Net Claims Incurred</b>	<b>247,566</b>	<b>316,100</b>	<b>263,985</b>	<b>116,513</b>	<b>177,647</b>	<b>27.7%</b>	<b>-16.5%</b>	<b>52.5%</b>	<b>3.3%</b>
<b>Loss Ratio: Net Claims Incurred / Net Premiums Earned</b>									
Marine	31.2%	36.8%	14.9%	20.2%	22.4%				
Property	-7.4%	35.8%	58.5%	56.4%	136.1%				
Motor	69.9%	80.5%	66.2%	59.2%	78.9%				
Engineering	45.3%	103.7%	40.6%	5.4%	-3.2%				
Accident & Liability	22.6%	19.2%	7.4%	12.4%	3.0%				
Extended Warranty	0.0%	0.0%	0.0%	0.0%	0.0%				
Term Life	71.7%	64.7%	57.2%	60.1%	31.9%				
<b>Net Claims Incurred</b>	<b>66.4%</b>	<b>77.1%</b>	<b>63.2%</b>	<b>56.9%</b>	<b>74.8%</b>				

Source: The Company and the Financial Statements

Net Claims Incurred variance between 2018G and the six months ended on 30 June 2021G is in line with the Net Claims Paid over the years/period and is accordingly mainly driven by the Motor sector that represented 95.7%, 94.6%, 93.1% and 94.1% of the Total Net Claims incurred in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Loss Ratio increased from 66.4% in 2018G to 77.1% in 2019G. It has improved to 63.2% as a result of the Covid-19 pandemic and the impact of the curfew imposed in the Kingdom. Loss Ratio increased from 56.9% in the six months ended 30 June 2020G to 74.8% in the six months ended 30 June 2021G in line with normal activities resuming in 2021G.

## Premium Deficiency Reserve

Premium Deficiency Reserve was created by the actuary in 2013G to provide additional reserves against underwriting losses recorded as the actual claims experience indicated that some policies were potentially underpriced. The Premium Deficiency Reserve calculation is based on prospective assessment of profitability associated with unearned premium reserve.

## Policy Acquisition Costs

The following table shows the Policy Acquisition Costs for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (37): Policy Acquisition Costs

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un- audited)	2021G (un- audited)	December 2019G	December 2020G	June 2021G	
Marine	3,833	5,814	5,180	3,963	2,427	51.7%	-10.9%	-38.8%	16.3%
Property	9,783	9,415	10,809	5,139	5,979	-3.8%	14.8%	16.3%	5.1%
Motor	26,949	23,101	25,151	12,657	13,776	-14.3%	8.9%	8.8%	-3.4%
Engineering	4,085	5,393	6,148	3,593	3,340	32.0%	14.0%	-7.0%	22.7%
Accident & Liability	3,431	3,230	3,990	2,107	2,528	-5.9%	23.5%	20.0%	7.8%
Extended Warranty	10,723	8,645	1,917	791	1,434	-19.4%	-77.8%	81.3%	-57.7%
Term Life	6,514	9,417	7,381	3,955	2,538	44.6%	-21.6%	-35.8%	6.4%
<b>Policy Acquisition Costs</b>	<b>65,318</b>	<b>65,015</b>	<b>60,576</b>	<b>32,205</b>	<b>32,022</b>	<b>-0.5%</b>	<b>-6.8%</b>	<b>-0.6%</b>	<b>-3.7%</b>
<b>% of total</b>									
Marine	5.9%	8.9%	8.6%	12.3%	7.6%				
Property	15.0%	14.5%	17.8%	16.0%	18.7%				
Motor	41.3%	35.5%	41.5%	39.3%	43.0%				
Engineering	6.3%	8.3%	10.1%	11.2%	10.4%				
Accident & Liability	5.3%	5.0%	6.6%	6.5%	7.9%				
Extended Warranty	16.4%	13.3%	3.2%	2.5%	4.5%				
Term Life	10.0%	14.5%	12.2%	12.3%	7.9%				
<b>Policy Acquisition Costs</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>				

Source: The Company and the Financial Statements

Policy Acquisition Costs are mainly related to expenses for securing insurance policies, mainly representing commissions paid to sales representatives and brokers. These costs are in line with movements in the Gross Premiums Written.

Motor sector has the largest share of the Total Policy Acquisition Costs, representing 41.3%, 35.5%, 41.5% and 43.0% of the total Policy Acquisition Costs in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively.

Policy Acquisition Costs did not record any significant change between 2018G and 2019G.

Policy Acquisition Costs declined by 6.8% in 2020G to reach SAR60.6 million compared to SAR 65.0 million in 2019G, due to a decline in the Policy Acquisition Costs attributed to the Extended Warranty Insurance and the Term Life sectors.

Policy Acquisition Costs did not record any significant change between the six months ended 30 June 2020G and the six months ended 30 June 2021G.

## Other Underwriting Expenses

Other Underwriting Expenses includes Najm fee for motor insurance services and VAT on reinsurance commission income. It is worth noting that the VAT amounting to SAR 2.7 million in 2019G and SAR 1.89 million in the six months period ending on June 30, 2021G, was reclassified from General and Administrative Expenses to Other Underwriting Expenses.

## Other Operating (Expenses) / Income

### Allowances for Impairment of Doubtful Premiums, Reinsurers and Other Receivables

The Allowances for Impairment of Doubtful Premiums, Reinsurers and Other Receivables is the change in the amount of outstanding premiums, reinsurers share of claims and other receivables. The Company classifies the balance as “**past due or impaired**” based on the Saudi Central Bank guidelines.

### General and Administration Expenses

The following table shows the General and Administration Expenses for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (38): General and Administration Expenses

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (au-dited)	2019G (au-dited)	2020G (au-dited)	2020G (unau-dited)	2021G (unau-dited)	December 2019G	December 2020G	June 2021G	
Salaries and benefits	55,458	69,301	72,755	37,438	32,702	25.0%	5.0%	-12.7%	14.5%
Information technology	4,329	9,407	12,146	5,817	8,064	117.3%	29.1%	38.6%	67.5%
Legal and professional fees	5,595	8,439	8,555	4,621	3,567	50.8%	1.4%	-22.8%	23.7%
Depreciation and amortization	2,504	3,953	5,970	2,792	3,350	57.9%	51.0%	20.0%	54.4%
Office expenses	5,165	5,220	5,066	2,497	2,905	1.1%	-3.0%	16.3%	-1.0%
Regulatory fees	6,497	3,940	4,314	2,412	2,676	-39.4%	9.5%	10.9%	-18.5%
Taxes accrued	4,407	-	2,350	2,226	958	-100.0%	-	-57.0%	-27.0%
Directors' expenses	1,568	1,601	1,450	1,253	1,453	2.1%	-9.4%	16.0%	-3.8%
Others	9,749	5,733	6,847	7,032	5,510	-41.2%	19.4%	-21.6%	-16.2%
<b>General and administration expenses</b>	<b>95,272</b>	<b>107,594</b>	<b>119,453</b>	<b>66,088</b>	<b>61,185</b>	<b>12.9%</b>	<b>11.0%</b>	<b>-7.4%</b>	<b>12.0%</b>
<b>% of total</b>									
Salaries and benefits	58.2%	64.4%	60.9%	56.6%	53.4%				
Information technology	4.5%	8.7%	10.2%	8.8%	13.2%				
Legal and professional fees	5.9%	7.8%	7.2%	7.0%	5.8%				
Depreciation and amortization	2.6%	3.7%	5.0%	4.2%	5.5%				
Office expenses	5.4%	4.9%	4.2%	3.8%	4.7%				
Regulatory fees	6.8%	3.7%	3.6%	3.6%	4.4%				
Taxes accrued	4.6%	0.0%	2.0%	3.4%	1.6%				
Directors' expenses	1.6%	1.5%	1.2%	1.9%	2.4%				
Others	10.2%	5.3%	5.7%	10.6%	9.0%				
<b>General and administration expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>				

Source: The Company and the Financial Statements

General and Administration Expenses consist mainly of Salaries and Benefits representing 58.2%, 65.4%, 60.9%, and 53.4% in 2018G, 2019G, 2020G and the six months period ended on 30 June 2021G, respectively. The variance over the years/period is mainly driven by the Salaries and Benefits.

Salaries and Benefits are mainly comprised of basic salary, housing and transportation allowances, in addition to bonuses, contributions to the General Organization for Social Insurance, training and others. The increase from SAR 95.3 million in 2018G to SAR 107.6 million in 2019G and to SAR 119.5 million in 2020G is due to an overall increase in staff headcount as well as increase in salaries and bonuses. Salaries and benefit decreased from SAR 66.1 million in the six months period ended on 31 June 2020G to SAR 61.2 million in the same period of 2021G as a result of the restructuring of the Company in certain management positions.

Information Technology mainly consists of software and licensing costs. Information Technology expense increased from SAR 4.3 million in 2018G to SAR 9.4 million in 2019G and to SAR 12.1 million in 2020G. It has further increased to SAR 8.1 million in the six months period ended on 31 June 2020G compared to SAR 5.8 million in the same period of 2021G. The increase over the years/period is due to the Company's extensive investment in IT and cyber security.

Legal and Professional Fees predominantly relate to audit, rating agency, legal advisors and actuary fees. Legal and Professional Fees increased from SAR 5.6 million in 2018G to SAR 8.4 million in 2019G and to SAR 8.6 million in 2020G on account of Consultancy fees paid for implementation of IFRS 17. Legal and Professional Fees decreased from SAR 4.6 million in the six months ended on 30 June 2020G to SAR 3.6 million for the same period of 2021G due to reduction in audit and taxation fees.

Depreciation and Amortization are mainly related to Property and Equipment. The increase over the years/period is due to additions in Property and Equipment.

Office Expenses represent office rental expenses, utility costs and maintenance and cleaning charges. Office Expenses remained largely consistent between 2018G and the six months period ended on 31 June 2021G.

Regulatory Fees are the fees paid to the Saudi Central Bank. These charges are paid based on Gross Premiums Written (less local reinsurance cessions) during each year/period.

Taxes Accrued was mainly attributed to the withholding tax provisions made by the Company for payments to reinsurance agents. Increase and decrease in this expense is entirely dependent on the share of foreign reinsurers in the total Reinsurance Premiums Ceded.

Directors' Expenses include attendance and compensation allowances for members of the Board of Directors and members of the Board Committees.

Other expenses are mainly related to travel costs, pre-risk survey costs and other administrative expenses.

### Commission Income on Deposits

Commission Income on Deposits is generated on short-term deposits maintained by the Company with an approved financial institution. The variance over the years/period is in line with the short-term deposits amount.

### Unrealized Profit on Investments

Unrealized Profit on Investments are associated with fair-value through statement of income investments. The movement of these profits fluctuates depending on the size of investment income and the timing of the distribution of profits.



## Other Income

The following table shows the Other Income for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (39): Other Income

('000' SAR)	Financial Year ended 31 December			Six months ended 30 June		Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un- audited)	2021G (un- audited)	December 2019G	December 2020G	June 2021G	
Profit Commission	6,857	6,095	3,751	-	-	-11.1%	-38.5%	-	-26.0%
Share of surplus from Al Manafeth	1,850	2,215	1,236	885	65	19.7%	-44.2%	-92.7%	-18.3%
Share of surplus from Umrah & Hajj scheme	-	-	2,192	1,999	179	-	-	-91.0%	-
Miscellaneous	400	6,843	-	-	-	1610.8%	-100.0%	-	-100.0%
<b>Other income</b>	<b>9,107</b>	<b>15,153</b>	<b>7,179</b>	<b>2,884</b>	<b>244</b>	<b>66.4%</b>	<b>-52.6%</b>	<b>-91.5%</b>	<b>-11.2%</b>

Source: The Company and the Financial Statements

Profit Commission represents the Company's share of profits earned by reinsurers under proportional treaties. Profit Commission rates are agreed in respective treaty agreements and are subject to the profitability recorded by the reinsurers during each year.

Share of Surplus from Al Manafeth represents the Company's share in the surplus arising from the Al Manafeth Third Party Liability Insurance fund. The Company with 24 other insurance companies operating in the Kingdom, entered into an agreement with The Company for Cooperative Insurance (CCI) effective from January 1, 2015, initially for 3 years, for participating in the insurance of foreign vehicles entering Saudi Arabia through all its borders except from the Kingdom of Bahrain. As per the agreement, CCI receive 4.25% of the fund's gross premiums written to cover the related indirect expense along with 15% management fee of the net results of the fund's portfolio. The remaining results after the aforesaid distribution is due to be equally shared by CCI and the 25 insurance companies including Wataniya.

Share of surplus from Umrah & Hajj scheme represents the Company's share in the surplus for general accident product arising from Umrah scheme. The Company with 27 other insurance companies operating in the Kingdom, entered into a 4-year agreement with CCI effective January 1, 2020. The compulsory Umrah product is offered by the ministry and approved by the Saudi Central Bank for insurance of pilgrims coming from outside Saudi Arabia except for citizens of the GCC countries. This covers general accidents and health benefits of the pilgrims entering Saudi Arabia to perform Umrah.

Miscellaneous represents reversal of excess accruals for 2018G and 2019G.

## Net Income / (Loss)

### Net Income / (Loss) before Allocation

The Company recorded Net Income before Allocation of SAR 22.8 million, SAR 26.3 million and SAR 17.7 million in 2018G, 2019G, 2020G, respectively. On the other hand, a loss of SAR 25.6 million was recorded in the six months ended 30 June 2021G.

According to the Implementing Regulations of the Cooperative Insurance Companies Law issued by the Saudi Central Bank, the Company allocates 90% of the surplus to shareholders. Accordingly, Net Income Attributable to Shareholders before Zakat and Income Tax reached SAR 20.4 million, SAR 23.8 million, SAR 15.2 million in 2018G, 2019G, 2020G, respectively. On the other hand, a Net Loss of SAR 25.6 million was recorded in the six months ended 30 June 2021G.

## Zakat

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to Saudi Shareholders.

## Income Tax

Provision for income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders, less allowance for foreign shareholders' share in the loss carry forwarded from previous year calculated in accordance with the guidelines provided in the income tax regulations. Income tax paid is recovered from foreign shareholders.

## Net Income / (Loss) attributed to Shareholders

The Company recorded Net Income of SAR 13.6 million, SAR 18.4 million and SAR 7.8 million in 2018G, 2019G, 2020G, respectively. A loss of SAR 27.6 million was recorded in the six months ended 30 June 2021G.

## Other Comprehensive Income / (Loss)

Items Classified under the Other Comprehensive Income / (Loss) included the Actuarial Losses on Defined Benefit Obligations. The Company performs the dues in accordance with the actuarial assessment under the expected credit unit method while the obligations due are paid upon maturity.

## 6.8 Statement of Financial Position

The following table shows the Statement of Financial Position as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (40): Statement of Financial Position

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)		2021G (un-audited)	December 2019G	December 2020G	
Total ASSETS	1,076,002	1,565,691	1,594,728	1,791,505	45.5%	1.9%	12.3%	21.7%
Total Liabilities	836,427	1,307,421	1,328,896	1,553,513	56.3%	1.6%	16.9%	26.0%
Total Shareholders' Equity	239,575	258,270	265,832	237,992	7.8%	2.9%	-10.5%	5.3%
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,076,002</b>	<b>1,565,691</b>	<b>1,594,728</b>	<b>1,791,505</b>	<b>45.5%</b>	<b>1.9%</b>	<b>12.3%</b>	<b>21.7%</b>

Source: The Company and the Financial Statements

## Total Assets

Total Assets increased by 45.5% to reach SAR 1,565.7 million as of 31 December 2019G compared to SAR 1,076.0 million as of 31 December 2018G. This is mainly due to the increase of Reinsurers' Share of Outstanding Claims attributed to the Engineering sector.

There was no significant change in Total Assets between 31 December 2019G and 31 December 2020G.

Total Assets increased by 12.3% to reach SAR 1,791.5 million as of 30 June 2021G compared to SAR 1,594.7 million as of 31 December 2020G this is driven by:

- the increase of Net Premiums Receivable due to an overall increase of business activity, particularly in the Motor sector
- the increase of Reinsurers' Share of Unearned Premiums attributed to Property, Accident & Liability, Engineering and Term Life sectors in line with the increase of Unearned Premiums in these sectors.
- the increase of Short-Term Deposits
- the increase of Reinsurers' Share of Outstanding Claims attributed to the Property sector

## Total Liabilities

Total Liabilities increased by 56.3% to reach SAR 1,307.4 million as of 31 December 2019G compared to SAR 836.4 million as of 31 December 2018G. This is mainly driven by the increase of Outstanding Claims attributed to the Engineering sector.

There was no significant change in Total Liabilities between 31 December 2019G and 31 December 2020G.

Total Liabilities increased by 16.9% to reach SAR 1,553.5 million as of 30 June 2021G compared to SAR 1,328.9 million as of 31 December 2020G. This is driven by the increase of Unearned Premiums attributed to the Motor and Property sectors in line with the growth in both sectors.

## Total Shareholders' Equity

Shareholders' Equity consisted mainly of the Company's Share Capital. The movement of Shareholders' Equity between 31 December 2018G and 30 June 2021G was affected by the change in Retained Earnings.

## Total Assets

The following table shows the Total Assets as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (41): Total Assets

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Cash and Cash Equivalents	324,060	354,707	80,733	69,629	9.5%	-77.2%	-13.8%	-50.1%
Short-Term Deposits	-	-	242,250	300,247	-	-	23.9%	-
Net Premiums Receivable	192,465	153,813	194,538	259,713	-20.1%	26.5%	33.5%	0.5%
Net Due from Reinsurers	13,240	139,910	44,039	3,362	956.7%	-68.5%	-92.4%	82.4%
Reinsurers' Share of Unearned Premiums	104,039	104,944	129,371	193,568	0.9%	23.3%	49.6%	11.5%
Reinsurers' Share of Outstanding Claims	159,448	531,601	559,837	604,836	233.4%	5.3%	8.0%	87.4%
Reinsurers' Share of Claims Incurred But Not Reported	78,880	57,091	52,863	49,246	-27.6%	-7.4%	-6.8%	-18.1%
Deferred Policy Acquisition Costs	24,279	23,771	32,299	44,079	-2.1%	35.9%	36.5%	15.3%
Investments	106,927	112,568	166,952	174,282	5.3%	48.3%	4.4%	25.0%
Prepaid Expenses and Other Assets	21,629	18,780	19,893	17,124	-13.2%	5.9%	-13.9%	-4.1%
Property and Equipment	9,976	11,268	12,371	15,980	13.0%	9.8%	29.2%	11.4%
Intangible Assets	20,211	35,963	38,113	37,890	77.9%	6.0%	-0.6%	37.3%
Statutory Deposit	20,000	20,000	20,000	20,000	0.0%	0.0%	0.0%	0.0%
Accrued Income on Statutory Deposit	848	1,275	1,469	1,549	50.4%	15.2%	5.4%	31.6%
<b>Total Assets</b>	<b>1,076,002</b>	<b>1,565,691</b>	<b>1,594,728</b>	<b>1,791,505</b>	<b>45.5%</b>	<b>1.9%</b>	<b>12.3%</b>	<b>21.7%</b>

Source: The Company and the Financial Statements

## Cash and Cash Equivalents

The following table shows the Cash and Cash Equivalents as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (42): Cash and Cash Equivalents

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Cash in hand	28	28	26	22	0.0%	-7.1%	-15.4%	-3.6%
Bank balances	35,282	32,804	67,707	56,607	-7.0%	106.4%	-16.4%	38.5%
Deposits with original maturity of less than 3 months	288,750	321,875	13,000	13,000	11.5%	-96.0%	0.0%	-78.8%
<b>Cash and Cash Equivalents</b>	<b>324,060</b>	<b>354,707</b>	<b>80,733</b>	<b>69,629</b>	<b>9.5%</b>	<b>-77.2%</b>	<b>-13.8%</b>	<b>-50.1%</b>

Source: The Company and the Financial Statements

Cash and Cash Equivalents comprises of cash in hand, current accounts and deposits. Most of the Bank Balances and Deposits are held with Saudi British Bank - a Related Party until 22/12/2021G - and are denominated in Saudi Riyals and US Dollars. Deposits are liquid investments with a maturity of three months or less. Cash in hand represents petty cash maintained by the Company to facilitate payment of day-to-day expenses.

Cash and Cash Equivalents increased by 9.5% to reach SAR 354.7 million on 31 December 2019G compared to SAR 324.0 million on 31 December 2018G. due to significant collection of receivables

Cash and Cash Equivalents decreased by 77.2% to reach SAR 80.7 million on 31 December 2020G. It has further decreased by 13.8% to reach SAR 69.6 million on 30 June 2021G. This is due to high cash outflow from investing activities as most of the Company's Deposits with original maturity of less than 3 months were invested in Short-Term Deposits exceeding 3 months.

## Short-Term Deposits

In 2020G, the Company decided to place most of its Deposits with original maturity of less than 3 months in Short-Term Deposits exceeding 3 months with Saudi British Bank - a Related Party until 22/12/2021G.

## Net Premiums Receivable

The following table shows the Net Premiums Receivable as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (43): Net Premiums Receivable

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Receivable from Policyholders	218,217	187,651	235,313	304,368	-14.0%	25.4%	29.3%	3.8%
Impairment Allowance for Doubtful Receivables	(25,752)	(33,838)	(40,775)	(44,655)	31.4%	20.5%	9.5%	25.8%
<b>Net Premiums Receivable</b>	<b>192,465</b>	<b>153,813</b>	<b>194,538</b>	<b>259,713</b>	<b>-20.1%</b>	<b>26.5%</b>	<b>33.5%</b>	<b>0.5%</b>

Source: The Company and the Financial Statements

Premiums Receivable represent outstanding premiums due from policyholders. Premiums Receivable comprise a large number of customers mainly within the Kingdom. The Company's terms of business generally require amounts to be paid in accordance with credit terms agreed with the customers.

Premiums Receivable are presented net of provisions against doubtful debtors at each balance sheet date. The Company recognizes Impairment Allowance for Doubtful Receivables based on percentage as specified in the Saudi Central Bank's implementing regulations.

Net Premiums Receivable decreased by 20.1% to reach SAR 153.8 million on 31 December 2019G compared to SAR 192.5 million on 31 December 2018G, due to significant collection of receivables and increase in the provision of doubtful debts.

Net Premium Receivable increased by 26.5% on 31 December 2020G and 33.5% on 30 June 2021G to reach SAR 194.5 million and SAR 259.7 million due to an overall increase of business activity, particularly in the Motor sector.

The following table shows the Ages of Net Premiums Receivable as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

**Table No. (44): Ages of Net Premiums Receivable**

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)		2021G (un-audited)	December 2019G	December 2020G	
Less than 90 days	115,164	76,201	115,901	165,208	-33.8%	52.1%	42.5%	0.3%
91 to 180 days	46,641	40,909	34,585	58,031	-12.3%	-15.5%	67.8%	-13.9%
181 to 360 days	27,921	31,309	36,557	28,128	12.1%	16.8%	-23.1%	14.4%
More than 360 days	2,739	5,394	7,495	8,346	96.9%	39.0%	11.4%	65.4%
<b>Net Premiums Receivable</b>	<b>192,465</b>	<b>153,813</b>	<b>194,538</b>	<b>259,713</b>	<b>-20.1%</b>	<b>26.5%</b>	<b>33.5%</b>	<b>0.5%</b>

Source: The Company and the Financial Statements

## Net Due from Reinsurers

The following table shows the Net Due from Reinsurers as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

**Table No. (45): Net Due from Reinsurers**

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)		2021G (un-audited)	December 2019G	December 2020G	
Reinsurers	14,679	141,410	45,039	4,292	863.3%	-68.2%	-90.5%	75.2%
Impairment Allowance for Doubtful Reinsurers Receivables	(1,439)	(1,500)	(1,000)	(930)	4.2%	-33.3%	-7.0%	-16.6%
<b>Net Due from Reinsurers</b>	<b>13,240</b>	<b>139,910</b>	<b>44,039</b>	<b>3,362</b>	<b>956.7%</b>	<b>-68.5%</b>	<b>-92.4%</b>	<b>82.4%</b>

Source: The Company and the Financial Statements

Due from Reinsurers mainly comprised net claims due from Reinsurers under facultative deals and treaty arrangements.

Amounts Due from Reinsurers are presented net of Impairment Allowance for Doubtful Reinsurers Receivables. Impairment Allowance for Doubtful Reinsurers Receivables are recognized as per the Saudi Central Bank's implementing regulations.

Net Due from Reinsurers increased from SAR 13.2 million on 31 December 2018G to SAR 139.9 million on 31 December 2019G. This was mainly due to a marine claim of SR 125 million.

Net Due from Reinsurers decreased to SAR 44.0 million on 31 December 2020G in the normal course of business. It has further decreased to SAR 3.4 million on 30 June 2021G due to change in the presentation from gross to net receivable position.

## Reinsurer's Share of Unearned Premiums

The following table shows the Reinsurer's Share of Unearned Premiums as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (46): Reinsurer's Share of Unearned Premiums

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	6,033	14,294	8,730	6,737	136.9%	-38.9%	-22.8%	20.3%
Property	25,280	25,476	33,873	67,037	0.8%	33.0%	97.9%	15.8%
Motor	11,346	3,670	1,287	-	-67.7%	-64.9%	-100.0%	-66.3%
Engineering	14,895	20,131	21,169	31,817	35.2%	5.2%	50.3%	19.2%
Accident & Liability	13,720	11,466	20,118	32,366	-16.4%	75.5%	60.9%	21.1%
Extended Warranty	21,794	22,905	38,510	41,777	5.1%	68.1%	8.5%	32.9%
Term Life	10,971	7,002	5,684	13,834	-36.2%	-18.8%	143.4%	-28.0%
<b>Reinsurers' Share of Unearned Premiums</b>	<b>104,039</b>	<b>104,944</b>	<b>129,371</b>	<b>193,568</b>	<b>0.9%</b>	<b>23.3%</b>	<b>49.6%</b>	<b>11.5%</b>

Source: The Company and the Financial Statements

Reinsurers' Share of Unearned Premiums is calculated on a proportional basis similar to the basis for determining the Unearned Premiums. Reinsurance assets are estimated using the proportions used to determine the benefits and advantages of the policies in accordance with the relevant reinsurance contracts. The Reinsurers' Share of Unearned Premiums varies according to the changes of the unearned premiums in accordance with the balance sheet date.

There was no significant change in Reinsurers' Share of Unearned Premiums between 31 December 2018G and 31 December 2019G.

Reinsurers' Share of Unearned Premiums increased by 23.3% to reach SAR 129.4 million on 31 December 2020G compared to SAR 104.9 million on 31 December 2019G, mainly due to an increase in the Extended Warranty, Accident & Liability and Property sectors in line with the increase of Unearned Premiums in these sectors.

Reinsurers' Share of Unearned Premiums further increased by 49.6% to reach SAR 193.6 million on 30 June 2021G, mainly due to an increase in Property, Accident & Liability, Engineering and Term Life sectors in line with the increase of Unearned Premiums in these sectors.

## Reinsurers' Share of Outstanding Claims

The following table shows the Reinsurers' Share of Outstanding Claims as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (47): Reinsurers' Share of Outstanding Claims

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	4,637	9,516	5,419	12,982	105.2%	-43.1%	139.6%	8.1%
Property	7,094	9,528	58,469	92,111	34.3%	513.7%	57.5%	187.1%
Motor	7,390	3,311	2,294	962	-55.2%	-30.7%	-58.1%	-44.3%
Engineering	31,282	390,830	383,118	380,199	1149.4%	-2.0%	-0.8%	250.0%
Accident & Liability	105,588	111,073	104,322	110,933	5.2%	-6.1%	6.3%	-0.6%

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Extended Warranty	8	37	41	106	362.5%	10.8%	158.5%	126.4%
Term Life	3,449	7,306	6,174	7,543	111.8%	-15.5%	22.2%	33.8%
<b>Reinsurers' Share of Outstanding Claims</b>	<b>159,448</b>	<b>531,601</b>	<b>559,837</b>	<b>604,836</b>	<b>233.4%</b>	<b>5.3%</b>	<b>8.0%</b>	<b>87.4%</b>

Source: The Company and the Financial Statements

Reinsurers' Share of Outstanding Claims increased by 233.4% to reach SAR 531.6 million on 31 December 2019G compared to SAR 159.4 million on 31 December 2018G. This was driven by the Engineering sector, where Reinsurers' Share of Outstanding Claims increased from SAR 31.3 million on 31 December 2018G to SAR 390.8 million on 31 December 2019G, in line with the increase of Outstanding Claims.

Reinsurers' Share of Outstanding Claims increased by 5.3% to reach SAR 559.8 million on 31 December 2020G, driven by an increase from SAR 9.5 million on 31 December 2019G to SAR 58.5 million on 31 December 2020G in the Property sector in line with the increase of Outstanding Claims. This increase was partially offset by a decline in the Engineering, Accident & Liability and Marine sectors.

Reinsurers' Share of Outstanding Claims increased by 8.0% to reach SAR 604.8 million on 30 June 2021G, mainly driven by an increase from SAR 58.5 million on 31 December 2020G to SAR 92.1 million on 30 June 2021G in the Property sector in line with the increase of Outstanding Claims.

## Reinsurers' Share of Claims Incurred but Not Reported

The following table shows the Reinsurers' Share of Claims Incurred but Not Reported as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (48): Reinsurers' Share of Claims Incurred but Not Reported

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	12,840	3,854	2,447	2,701	-70.0%	-36.5%	10.4%	-56.3%
Property	1,409	2,068	8,590	10,072	46.8%	315.4%	17.3%	146.9%
Motor	3,566	1,729	2,188	859	-51.5%	26.5%	-60.7%	-21.7%
Engineering	13,776	25,599	22,694	19,881	85.8%	-11.3%	-12.4%	28.3%
Accident & Liability	31,839	11,784	8,195	9,740	-63.0%	-30.5%	18.9%	-49.3%
Extended Warranty	-	-	-	-	-	-	-	-
Term Life	15,450	12,057	8,749	5,993	-22.0%	-27.4%	-31.5%	-24.7%
<b>Reinsurers' Share of Claims Incurred but not reported</b>	<b>78,880</b>	<b>57,091</b>	<b>52,863</b>	<b>49,246</b>	<b>-27.6%</b>	<b>-7.4%</b>	<b>-6.8%</b>	<b>-18.1%</b>

Source: The Company and the Financial Statements

Reinsurers' Share of Claims Incurred but not Reported decreased by 27.6% to reach SAR 57.1 million on 31 December 2019G compared to SAR 78.9 million on 31 December 2018G. This was driven by a decrease of 63.0% and 70.0% in the Accident & Liability and Marine sectors, respectively, in line with the decrease of Claims Incurred but not Reported. This decrease was partially offset by an increase of 85.8% in the Engineering sector.

Reinsurers' Share of Claims Incurred but not Reported decreased by 7.4% to reach SAR 52.9 million on 31 December 2020G, driven by a decrease of 30.5%, 57.4% and 11.3% in the Accident & Liability, Term Life and Engineering sectors, in line with the decrease of Claims Incurred but not Reported. This decline was partially offset by an increase in the Property sector.

Reinsurers' Share of Claims Incurred but not Reported decreased by 6.8% to reach SAR 49.2 million on 30 June 2021G, mainly driven by a decrease of 12.4% and 31.5% in the Engineering and Term Life sectors, in line with the decrease of Claims Incurred but not Reported.

## Deferred Policy Acquisition Costs

The following table shows the Deferred Policy Acquisition Costs movement as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

**Table No. (49): Deferred Policy Acquisition Costs movement**

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)		2021G (un-audited)	December 2019G	December 2020G	
Balance at the beginning of the year	28,047	24,279	23,771	32,299	-13.4%	-2.1%	35.9%	-7.9%
Accrued costs	61,550	64,507	69,104	43,802	4.8%	7.1%	-36.6%	6.0%
Potential costs	(65,318)	(65,015)	(60,576)	(32,022)	-0.5%	-6.8%	-47.1%	-3.7%
<b>Deferred Policy Acquisition Costs</b>	<b>24,279</b>	<b>23,771</b>	<b>32,299</b>	<b>44,079</b>	<b>-2.1%</b>	<b>35.9%</b>	<b>36.5%</b>	<b>15.3%</b>

Source: The Company and the Financial Statements

Deferred Policy Acquisition Costs are calculated on a proportionate basis to the insurance period, therefore the costs that are not related to the year/ financial period are deferred.

The following table shows the Deferred Policy Acquisition Costs by sector as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

**Table No. (50): Deferred Policy Acquisition Costs**

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)		2021G (un-audited)	December 2019G	December 2020G	
Marine	1,201	2,107	1,074	879	75.4%	-49.0%	-18.2%	-5.4%
Property	2,928	3,039	3,641	7,097	3.8%	19.8%	94.9%	11.5%
Motor	7,229	7,878	11,860	14,129	9.0%	50.5%	19.1%	28.1%
Engineering	1,730	2,809	2,875	4,312	62.4%	2.3%	50.0%	28.9%
Accident & Liability	785	1,215	1,972	2,805	54.8%	62.3%	42.2%	58.5%
Extended Warranty	8,896	5,678	9,741	11,770	-36.2%	71.6%	20.8%	4.6%
Term Life	1,510	1,045	1,136	3,087	-30.8%	8.7%	171.7%	-13.3%
<b>Deferred Policy Acquisition Costs</b>	<b>24,279</b>	<b>23,771</b>	<b>32,299</b>	<b>44,079</b>	<b>-2.1%</b>	<b>35.9%</b>	<b>36.5%</b>	<b>15.3%</b>
<b>% of total</b>								
Marine	4.9%	8.9%	3.3%	2.0%				
Property	12.1%	12.8%	11.3%	16.1%				
Motor	29.8%	33.1%	36.7%	32.1%				
Engineering	7.1%	11.8%	8.9%	9.8%				

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Accident & Liability	3.2%	5.1%	6.1%	6.4%				
Extended Warranty	36.6%	23.9%	30.2%	26.7%				
Term Life	6.2%	4.4%	3.5%	7.0%				
<b>Deferred Policy Acquisition Costs</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>				

Source: The Company and the Financial Statements

Deferred Policy Acquisition Costs are mainly related to the Motor and Extended Warranty sectors that's accounted on a combined basis for 66.4%, 57.0%, 66.9% and 58.8% of the total Deferred Policy Acquisition Costs as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G, respectively.

Deferred Policy Acquisition Costs did not record any significant change between 31 December 2018G and 31 December 2019G.

Deferred Policy Acquisition Costs increased by 35.9% to reach SAR 32.3 million as of 31 December 2020G compared to SAR 23.8 million as of 31 December 2019G driven by an increase of 71.6% and 50.5% in the Extended Warranty and Motor sectors, respectively.

Deferred Policy Acquisition Costs continued to increase by 36.5% to reach SAR 44.1 million as of 30 June 2021G in line with the growth in the Company's business during this period.

## Investments

The following table shows the Investments as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (51): Investments by Type

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Cash and Cash Equivalents	706	2,348	445	10,276	232.6%	-81.0%	2209.2%	-20.6%
Equity	3,752	3,230	16,250	8,873	-13.9%	403.1%	-45.4%	108.1%
Murabaha placements	28,400	35,700	77,200	80,012	25.7%	116.2%	3.6%	64.9%
Mutual Funds	38,305	39,342	39,715	37,721	2.7%	0.9%	-5.0%	1.8%
Sukuks	33,841	30,025	28,419	27,477	-11.3%	-5.3%	-3.3%	-8.4%
<b>Fair Value through Statement of Income Investments (FVSI)</b>	<b>105,004</b>	<b>110,645</b>	<b>162,029</b>	<b>164,359</b>	<b>5.4%</b>	<b>46.4%</b>	<b>1.4%</b>	<b>24.2%</b>
Sukuks	-	-	3,000	8,000	-	-	166.7%	-
Held to Maturity Investment	-	-	3,000	8,000	-	-	166.7%	-
Investment in Najm company	1,923	1,923	1,923	1,923	0.0%	0.0%	0.0%	0.0%
Available-for-sale investment	1,923	1,923	1,923	1,923	0.0%	0.0%	0.0%	0.0%
<b>Investments</b>	<b>106,927</b>	<b>112,568</b>	<b>166,952</b>	<b>174,282</b>	<b>5.3%</b>	<b>48.3%</b>	<b>4.4%</b>	<b>25.0%</b>

Source: The Company and the Financial Statements

## Fair Value through Statement of Income Investments (FVSI)

Investments at Fair Value through Statement of Income Investments are classified if they are held for trading or designated by management as FVSI on initial recognition.

Investments at FVSI are recorded in the statement of financial position at fair value, and changes in the fair value are recognized in the statement of income for the year in which it arises.

These investments comprise Murabaha Placements with Saudi registered banks, and the company's investments in semi-government and financial institution sukuk and investment funds.

## Held to Maturity Investment

This represents the Company's investment in Saudi Fransi Tier 1 Sukuks.

## Available-for-sale investments

This represents the Company's 3.85% holding in Najm for Insurance Services Company. These shares are un-quoted and are carried at cost.

There was no material change in Investments between 31 December 2018G and 31 December 2019G. Investments increased by 48.3% to reach SAR 167.0 million on 31 December 2020G compared to SAR 112.6 million on 31 December 2019G as a result of an increase of 116.2% in Murabaha Placements as part of the Company's investment strategy. Investments did record any significant change as of 30 June 2021G.

## Prepaid Expenses and Other Assets

The following table shows the Prepaid Expenses and Other Assets as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (52): Prepaid Expenses and Other Assets

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)		2021G (un-audited)	December 2019G	December 2020G	
Deferred Revenue Expenditure	-	4,451	6,757	-	-	51.8%	-100.0%	-
Staff Receivables	2,795	4,230	4,043	3,765	51.3%	-4.4%	-6.9%	20.3%
Prepayments	2,884	2,048	1,236	4,962	-29.0%	-39.6%	301.5%	-34.5%
Salvage and Subrogation Recoveries	7,036	2,028	381	32	-71.2%	-81.2%	-91.6%	-76.7%
Margin Deposits	1,940	2,140	2,240	2,454	10.3%	4.7%	9.6%	7.5%
Others	6,974	3,883	5,236	5,911	-44.3%	34.8%	12.9%	-13.4%
<b>Prepaid Expenses and Other Assets</b>	<b>21,629</b>	<b>18,780</b>	<b>19,893</b>	<b>17,124</b>	<b>-13.2%</b>	<b>5.9%</b>	<b>-13.9%</b>	<b>-4.1%</b>

Source: The Company and the Financial Statements

Prepaid Expenses and Other Assets decreased by 13.2% to reach SAR 18.8 million on 31 December 2019G compared to SAR 21.6 million on 31 December 2018G. This was mainly due to a decline of 71.2% in Salvage and Subrogation Recoveries from third parties.

Prepaid Expenses and Other Assets increased by 5.9% to reach SAR 19.9 million on 31 December 2020G which was due to an increase of 51.8% in the Deferred Revenue Expenditure that represents the minimum deposit premium relating to the Company's excess of loss treaties.

Prepaid Expenses and Other Assets decreased by 13.9% to reach SAR 17.1 million on 30 June 2021G as the Deferred Revenue Expenditure was expensed in the first half of 2021G.

## Property and Equipment

The following table shows the Property and Equipment as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (53): Property and Equipment

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Furniture and Fixtures	4,470	7,215	8,619	7,983	61.4%	19.5%	-7.4%	38.9%
Office Equipment	5,245	862	910	859	-83.6%	5.6%	-5.6%	-58.3%
Motor Vehicles	261	150	36	-	-42.5%	-76.0%	-100.0%	-62.9%
Computer Hardware and Software	-	3,041	2,806	7,138	-	-7.7%	154.4%	-
<b>Property and Equipment</b>	<b>9,976</b>	<b>11,268</b>	<b>12,371</b>	<b>15,980</b>	<b>13.0%</b>	<b>9.8%</b>	<b>29.2%</b>	<b>11.4%</b>

Source: The Company and the Financial Statements

Property and Equipment mainly comprised Furniture and Fixtures representing 44.8%, 64.0%, 69.7% and 50.0% of the total Property and Equipment as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G, respectively.

Property and Equipment increased from SAR 10.0 million as of 31 December 2018G to SAR 11.3 million as of 31 December 2019G and to SAR 12.4 million as of 31 December 2020G, due to additions in Furniture and Fixtures.

Property and Equipment increased by 29.2% to reach SAR 16.0 million as of 30 June 2021G due to additions in Computer Hardware and Software.

As of the date of this Prospectus, the Company does not own any real estate, and it has leased the offices from where it operates (please refer to Subsection 10.10.6 "Lease Agreements" of Section 10 "Legal Information").

As of the date of this Prospectus, there are no significant fixed asset the Company intends to purchase or lease.

## Intangible Assets

The following table shows the Intangible Assets as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (54): Intangible Assets

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Software	-	32,282	37,254	37,890	-	15.4%	1.7%	-
Capital Work in Progress	20,211	3,681	859	-	-81.8%	-76.7%	-100.0%	-79.4%
<b>Intangible assets</b>	<b>20,211</b>	<b>35,963</b>	<b>38,113</b>	<b>37,890</b>	<b>77.9%</b>	<b>6.0%</b>	<b>-0.6%</b>	<b>37.3%</b>

Source: The Company and the Financial Statements

Intangible Assets includes Software usage rights licenses and Capital Work in Progress. Capital Work in Progress represents telephone and document management systems.

Intangible Assets increased from SAR 20.2 million as of 31 December 2018G to SAR 36.0 million as of 31 December 2019G and to SAR 38.1 million as of 31 December 2020G due to additions in Software.

Intangible assets did not witness any significant change between 31 December 2020G and 30 June 2021G.

## Statutory Deposit

In accordance with Saudi Central Bank's implementing regulations, the Company is required to maintain deposit of not less than 10% of its share capital which is amounting to SAR 20 million in a bank designated by the Saudi Central Bank. The statutory deposit is maintained with Saudi British Bank – a Related Party until 22/12/2021G. The Company cannot withdraw this deposit without the Saudi Central Bank's approval and commission accruing on this deposit is payable to the Saudi Central Bank.

## Total Liabilities

The following table shows the Total Liabilities as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (55): Total Liabilities

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (unaudited)	December 2019G	December 2020G	June 2021G	
Policyholders Payable	29,938	153,385	22,681	39,828	412.3%	-85.2%	75.6%	-13.0%
Accrued Expenses and Other Liabilities	56,663	53,422	68,699	74,157	-5.7%	28.6%	7.9%	10.1%
Due to Reinsurers, Agents, Brokers, and Third-Party Administrators	68,418	76,899	105,695	121,922	12.4%	37.4%	15.4%	24.3%
Unearned Premiums	253,354	259,887	329,632	468,808	2.6%	26.8%	42.2%	14.1%
Unearned Reinsurance Commission	29,443	25,328	30,386	33,601	-14.0%	20.0%	10.6%	1.6%
Outstanding Claims	244,263	610,423	641,948	697,206	149.9%	5.2%	8.6%	62.1%
Claims Incurred but Not Reported	114,013	102,179	101,491	96,103	-10.4%	-0.7%	-5.3%	-5.7%
Premium Deficiency Reserve	23,221	10,845	12,966	9,760	-53.3%	19.6%	-24.7%	-25.3%
Additional Unexpired Risk Reserve	385	399	203	1,195	3.6%	-49.1%	488.7%	-27.4%
Unallocated Loss Adjustment Expenses	3,507	5,014	4,654	4,412	43.0%	-7.2%	-5.2%	15.2%
Surplus Distribution Payable	5,069	2,512	2,468	2,468	-50.4%	-1.8%	0.0%	-30.2%
Zakat and Income Tax Payable	7,305	5,853	6,604	2,504	-19.9%	12.8%	-62.1%	-4.9%
Accrued Income on Statutory Deposit	848	1,275	1,469	1,549	50.4%	15.2%	5.4%	31.6%
<b>Total Liabilities</b>	<b>836,427</b>	<b>1,307,421</b>	<b>1,328,896</b>	<b>1,553,513</b>	<b>56.3%</b>	<b>1.6%</b>	<b>16.9%</b>	<b>26.0%</b>

Source: The Company and the Financial Statements

## Policyholders Payable

Policyholders Payable represent claims and surplus to certain policyholders.

Policyholders Payable increased from SAR 29.9 million as of 31 December 2018G to SAR 153.4 million as of 31 December 2019G, this was due to an outstanding claim payable of SAR 125 million attributed to the Marine sector.

Policyholders Payable declined to SAR 22.7 million as of 31 December 2020G as the outstanding claim payable attributed to the Marine sector was settled in full in 2020G.

Policyholders Payable increased to SAR 39.8 million as of 30 June 2021G in the normal course of business.

## Accrued Expenses and Other Liabilities

The following table shows the Accrued Expenses and Other Liabilities as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

**Table No. (56): Accrued Expenses and Other Liabilities**

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Accrued Expenses	26,155	18,878	22,810	22,582	-27.8%	20.8%	-1.0%	-6.6%
Employee End-of-Service Benefits	9,684	12,077	13,859	14,954	24.7%	14.8%	7.9%	19.6%
VAT Payable	3,054	2,074	10,258	9,937	-32.1%	394.6%	-3.1%	83.3%
Provision for Reinsurance's Withholding Tax	2,220	1,800	5,546	7,202	-18.9%	208.1%	29.9%	58.1%
Payable to Garages and Workshops	9,835	12,565	5,145	10,168	27.8%	-59.1%	97.6%	-27.7%
SAMA Supervision Fee	505	616	3,217	997	22.0%	422.2%	-69.0%	152.4%
Commission Payable	1,641	1,512	2,477	2,669	-7.9%	63.8%	7.8%	22.9%
Other Liabilities	3,569	3,900	5,387	5,648	9.3%	38.1%	4.8%	22.9%
<b>Accrued Expenses and Other Liabilities</b>	<b>56,663</b>	<b>53,422</b>	<b>68,699</b>	<b>74,157</b>	<b>-5.7%</b>	<b>28.6%</b>	<b>7.9%</b>	<b>10.1%</b>

Source: The Company and the Financial Statements

Accrued Expenses mainly represents provisions for employees' bonuses, accrued audit fee, accrued IT expenses and other miscellaneous accruals. Accrued Expenses decreased by 27.8% to reach SAR 18.9 million as of 31 December 2019G compared to SAR 26.2 million as of 31 December 2018G due to reversal of excess accruals of SR 6.8 million. Accrued Expenses has increased by 20.8% to reach SAR 22.8 million as of 31 December 2020G due to accrual of strategy consultancy fees. Accrued Expenses remained stable between 31 December 2020G and 30 June 2021G.

Employee End-of-Service Benefits are a statutory requirement for all Saudi Companies and are payable to employees on resignation or termination of employment. Period on period movement is linked to staff turnover.

VAT Payable decreased by 32.1% to reach SAR 2.1 million as of 31 December 2019G compared to SAR 3.1 million as of 31 December 2018G a result of settling part of the amounts due in 2019G. VAT Payable increased to SAR 10.3 million as of 31 December 2020G due to an increase in VAT rate from 5% to 15%. VAT Payable remained stable between 31 December 2020G and 30 June 2021G.

Provision for Reinsurance's Withholding Tax was mainly attributable to the withholding of tax provisions made by the Company for payments to reinsurance agents. Period on period movement is mainly on account of change in premiums ceded and frequency of payment made to reinsurers.

Payable to Garages and Workshops represent expenses payable to garages and workshops for the repair of the motor vehicles insured by the Company. Period on period movement is mainly on account of the number of claims attributed to the Motor sector.

SAMA Supervision Fee remain largely consistent as of 31 December 2018G, 31 December 2019G and 30 June 2021G. It has increased from SAR 0.6 million as of 31 December 2019G to SAR 3.2 million as of 31 December 2020G as the payment of the first half of 2020G was delayed as per SAMA instructions.

Commission Payable are mainly payable to in house insurance policy sales personnel of the Company. Period on period movement is linked to Gross Premiums Written generated by sales personnel.

Other Liabilities include funds received from clients not allocated to clients' balances.

## Due to Reinsurers, Agents, Brokers, and Third-Party Administrators

The following table shows the Due to Reinsurers, Agents, Brokers, and Third-Party Administrators as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (57): Due to Reinsurers, Agents, Brokers, and Third-Party Administrators

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)		2021G (un-audited)	December 2019G	December 2020G	
Reinsurers	41,456	50,178	78,676	85,657	21.0%	56.8%	8.9%	37.8%
Agents and Brokers	25,012	24,908	26,477	34,976	-0.4%	6.3%	32.1%	2.9%
Third-Party Administrators	1,950	1,813	542	1,289	-7.0%	-70.1%	137.8%	-47.3%
<b>Due to Reinsurers, Agents, Brokers, and Third-Party Administrators</b>	<b>68,418</b>	<b>76,899</b>	<b>105,695</b>	<b>121,922</b>	<b>12.4%</b>	<b>37.4%</b>	<b>15.4%</b>	<b>24.3%</b>

Source: The Company and the Financial Statements

### Due to Reinsurers:

Due to Reinsurers represents reinsurer’s share of premiums under facultative deals and treaty arrangements.

Due to Reinsurers increased from SAR 41.4 million as of 31 December 2018G to SAR 50.2 million as of 31 December 2019G to SAR 78.7 million as of 31 December 2020G and to SAR 85.7 million as of 30 June 2021G. Period on period movement are in the ordinary course of business and are dependent upon the premiums payable to reinsurer’s as at each year end.

### Due to Agents and Brokers:

Due to Agents and Brokers mainly represent commissions payable to respective intermediaries.

There were no significant changes in the Due to Agents and Brokers between 31 December 2018G and 31 December 2020G.

Due to Agents and Brokers increased by 32.1% to reach SAR 35.0 million as of 30 June 2021G compared to SAR 26.5 million as of 31 December 2020G. This increase is mainly due to an increase in Premiums Receivable where payments to intermediaries are linked with collections from associated policyholders.

### Due to Third-Party Administrators:

Due to Third-Party Administrators represent TPA fee payable to third party administrators under the Extended Warranty sector. Fluctuations in the balance payable to Third-Party Administrators mainly attributed to Premiums Receivable under the Extended Warranty sector since these are interrelated.



## Unearned Premiums

The following table shows the Unearned Premiums as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (58): Unearned Premiums

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	8,556	17,503	11,283	9,465	104.6%	-35.5%	-16.1%	14.8%
Property	27,910	28,425	37,080	80,246	1.8%	30.4%	116.4%	15.3%
Motor	151,034	146,691	187,709	235,423	-2.9%	28.0%	25.4%	11.5%
Engineering	16,039	21,708	23,207	36,998	35.3%	6.9%	59.4%	20.3%
Accident & Liability	15,753	14,261	22,253	36,686	-9.5%	56.0%	64.9%	18.9%
Extended Warranty	21,794	22,905	38,510	45,972	5.1%	68.1%	19.4%	32.9%
Term Life	12,268	8,394	9,590	24,018	-31.6%	14.2%	150.4%	-11.6%
<b>Unearned Premiums</b>	<b>253,354</b>	<b>259,887</b>	<b>329,632</b>	<b>468,808</b>	<b>2.6%</b>	<b>26.8%</b>	<b>42.2%</b>	<b>14.1%</b>
<b>% of total</b>								
Marine	3.4%	6.7%	3.4%	2.0%				
Property	11.0%	10.9%	11.2%	17.1%				
Motor	59.6%	56.4%	56.9%	50.2%				
Engineering	6.3%	8.4%	7.0%	7.9%				
Accident & Liability	6.2%	5.5%	6.8%	7.8%				
Extended Warranty	8.6%	8.8%	11.7%	9.8%				
Term Life	4.8%	3.2%	2.9%	5.1%				
<b>Unearned Premiums</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>				

Source: The Company and the Financial Statements

Unearned premiums represent the portion of premiums written relating to the unexpired year 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 year of risk.

The Motor sector constituted 59.6%, 56.4%, 56.9% and 50.2% of the total Unearned Premiums as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G, respectively.

Unearned Premiums did not witness material changes between 31 December 2018G and 31 December 2019G.

Unearned Premiums increased by 26.8% to reach SAR 329.6 million as of 31 December 2020G compared to SAR 259.9 million as of 31 December 2019G. This increase was mainly due to the increase in Unearned Premiums related to the Motor sector in line with the growth in the Gross Premiums Written in this sector.

Unearned Premiums increased by 42.2% to reach SAR 468.8 million as of 30 June 2021G mainly driven by the Motor and Property sectors in line with the growth in the Gross Premiums Written in both sectors.

## Unearned Reinsurance Commission

The following table shows the Unearned Reinsurance Commission as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (59): Unearned Reinsurance Commission

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	2,130	3,510	2,133	1,348	64.8%	-39.2%	-36.8%	0.1%
Property	5,416	4,823	6,094	10,855	-10.9%	26.4%	78.1%	6.1%
Motor	1,986	551	200	1	-72.3%	-63.7%	-99.5%	-68.3%
Engineering	3,311	4,721	4,949	5,188	42.6%	4.8%	4.8%	22.3%
Accident & Liability	2,299	1,886	3,417	3,304	-18.0%	81.2%	-3.3%	21.9%
Extended Warranty	10,804	7,845	13,487	12,904	-27.4%	71.9%	-4.3%	11.7%
Term Life	3,497	1,992	106	1	-43.0%	-94.7%	-99.1%	-82.6%
<b>Unearned Reinsurance Commission</b>	<b>29,443</b>	<b>25,328</b>	<b>30,386</b>	<b>33,601</b>	<b>-14.0%</b>	<b>20.0%</b>	<b>10.6%</b>	<b>1.6%</b>

Source: The Company and the Financial Statements

Reinsurance Commission income is obtained either through performing optional reinsurance transactions or via reinsurance agreements. The commission is recognized in the income statement over the period of the insurance policies to which it proportionately relates. The Unearned Reinsurance Commissions represents the commission share for the unfunded period of insurance coverage.

Unearned Reinsurance Commission from the Property, Extended Warranty and Engineering sectors contributed on a combined basis to 66.3%, 68.7%, 80.7% and 86.1% of the total Unearned Reinsurance Commission as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G, respectively, driven by the high Cession Ratios associated with these sectors.

Unearned Reinsurance Commission decreased by 14.0% to reach SAR 25.3 million as of 31 December 2019G compared to SAR 29.4 million as of 31 December 2018G, mainly due to the decrease in the Unearned Reinsurance Commission from the Extended Warranty sector by 27.4%

Unearned Reinsurance Commission increased by 20.0% to reach SAR 30.4 million as of 31 December 2020G, mainly due to the increase in the Unearned Reinsurance Commission from the Extended Warranty sector by 71.9%.

Unearned Reinsurance Commission increased by 10.6% to reach SAR 33.6 million as of 30 June 2021G, driven by an increase of 78.1% in the Unearned Reinsurance Commission from the Property sector.

## Outstanding Claims

The following table shows the Outstanding Claims as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (60): Outstanding Claims

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	6,103	12,906	7,493	15,455	111.5%	-41.9%	106.3%	10.8%
Property	7,960	10,786	63,824	100,431	35.5%	491.7%	57.4%	183.2%
Motor	86,555	71,119	70,024	75,697	-17.8%	-1.5%	8.1%	-10.1%

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Engineering	33,065	394,481	387,067	383,812	1093.0%	-1.9%	-0.8%	242.1%
Accident & Liability	106,233	112,845	105,929	112,654	6.2%	-6.1%	6.3%	-0.1%
Extended Warranty	8	37	41	106	362.5%	10.8%	158.5%	126.4%
Term Life	4,339	8,249	7,570	9,051	90.1%	-8.2%	19.6%	32.1%
<b>Outstanding claims</b>	<b>244,263</b>	<b>610,423</b>	<b>641,948</b>	<b>697,206</b>	<b>149.9%</b>	<b>5.2%</b>	<b>8.6%</b>	<b>62.1%</b>

Source: The Company and the Financial Statements

Outstanding Claims consist of the total estimated costs of incurred claims that have not been settled and claims incurred but not reported.

Outstanding Claims increased by 149.9% to reach SAR 640.4 million as of 31 December 2019G compared to SAR 244.3 million as of 31 December 2018G. This increase is driven by the increase in Outstanding Claims attributed to the Engineering sector due to a claim amounting to SAR 375 million.

Outstanding Claims increased further by 5.2% to reach SAR 641.9 million as of 31 December 2020G driven by the increase in Outstanding Claims attributed to the Property sector due to two claims amounting to SAR 52.5 million.

Outstanding Claims increased by 8.6% to reach SAR 697.2 million as of 30 June 2021G driven by the increase in Outstanding Claims attributed to the Property sector due to two key claims amounting to SAR 42.0 million.

## Claims Incurred but Not Reported

The following table shows the Claims Incurred but Not Reported as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (61): Claims Incurred but Not Reported

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2021G (un-audited)	December 2019G	December 2020G	June 2021G	
Marine	14,835	4,568	2,778	2,942	-69.2%	-39.2%	5.9%	-56.7%
Property	1,583	2,313	8,854	10,579	46.1%	282.8%	19.5%	136.5%
Motor	30,012	40,651	45,486	43,848	35.4%	11.9%	-3.6%	23.1%
Engineering	14,864	26,191	23,292	19,940	76.2%	-11.1%	-14.4%	25.2%
Accident & Liability	34,492	14,146	10,144	11,303	-59.0%	-28.3%	11.4%	-45.8%
Extended Warranty	-	-	-	-	-	-	-	-
Term Life	18,227	14,310	10,937	7,491	-21.5%	-23.6%	-31.5%	-22.5%
<b>Claims Incurred but Not Reported</b>	<b>114,013</b>	<b>102,179</b>	<b>101,491</b>	<b>96,103</b>	<b>-10.4%</b>	<b>-0.7%</b>	<b>-5.3%</b>	<b>-5.7%</b>

Source: The Company and the Financial Statements

Claims Incurred but Not Reported are those that are expected to be reported after the statement of financial condition date and for which the insured event occurred prior to the statement of financial condition date.

Claims Incurred but Not Reported were concentrated in the Motor sector, which is the Company's main business.

## Premium Deficiency Reserve

Premium Deficiency Reserve was created by the actuary in 2013G to provide additional reserves against underwriting losses recorded as the actual claims experience indicated that some policies were potentially underpriced. The Premium Deficiency Reserve calculation is based on prospective assessment of profitability associated with unearned premium reserve.

## Additional Unexpired Risk Reserve

Additional Unexpired Risk Reserve mainly relating to Engineering and Extended Warranty sectors.

## Unallocated Loss Adjustment Expenses

Unallocated Loss Adjustment Expenses represents claim handling expenses and has been established by the appointed actuary.

## Surplus Distribution Payable

As required by the implementing regulations and the Company's by-laws, surplus arising from the Insurance Operations is distributed as follows:

- Transfer to Shareholders' operations: 90%
- Transfer to Policyholders payable: 10%

## Zakat and Income Tax Payable

The Company is owned by Saudi, GCC nationals and foreign shareholders, therefore it is subject to Zakat and Income Tax to the extent applicable to GCC and non-GCC shareholders.

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to Saudi Shareholders, while provision for income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders, less allowance for foreign shareholders' share in the loss carry forwarded from previous year calculated in accordance with the guidelines provided in the income tax regulations.

The Company has filed its tax returns with ZATCA from inception up to 2020G. The Company's tax and Zakat position has been finalized up to and including the ended 31 December 2018G except for the following assessment for withholding tax:

- During 2019G, the Company had received an assessment for the fiscal year ended 31 December 2018G withholding tax liability in which the ZATCA had imposed additional taxes, including penalties, of SAR 11.37 million. The Company believes that the assessment raised is without merit and had appealed against this assessment. The Company's initial appeal was rejected by the ZATCA and was escalated to the General Secretariat of Tax Committee online portal in order to assign the hearing session by the Committee for Resolution of Tax Violations and Disputes ("CRTVD"). On 05/08/2021G the CRTVD issued its summary decision in which they agreed with the ZATCA's revised assessments.
- Then the CRTVD issued its decision IZJ-2021-1116 and decided to amend the ZATCA calculation base to 5% WHT on reinsurance premiums amounting to SAR 195,057,978.96 and decided to amend the action regarding the late fee.
- On 11/10/2021G, the Company submitted an appeal to the General Secretariat of Tax Committee, and the appeal is still under consideration.
- On 22/03/1443H (corresponding to 28/10/2021G), ZATCA submitted (14) final assessment regarding several periods from December 2018G to October 2020G, claiming a total amount of SAR 17,999,177.14, including an amount of SAR 7,855,702.2 for VAT due, a penalty for late payment of SAR 7,845,716.89 and a fine for error in the declarations of SAR 2,297,158. ZATCA issued the assessment decision based on the view that the compensation amounts for insurance claims recovered on vehicles are subject to VAT. On 23/12/2021G, the Company submitted (14) objections to ZATCA over its evaluation decision for the periods between December 2018G and October 2020G.
- The Company has paid the objected amount of SAR 17,999,177.14 in implementation of the ZATCA requirements, which requires paying the objected amount in advance in order to submit the objection.



## Accrued Income on Statutory Deposit

In accordance with the Saudi Central Bank's implementing regulations, the Company is required to maintain deposit of not less than 10% of its share capital which is amounting to SAR 20 million in a bank designated by the Saudi Central Bank. The statutory deposit is maintained with Saudi British Bank – a Related Party. The Company cannot withdraw this deposit without the Saudi Central Bank's approval and commission accruing on this deposit is payable to the Saudi Central Bank.

## Related Parties Transactions

The following table shows the Related Parties Transactions as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

**Table No. (62): Related Parties Transactions**

Related Parties ('000' SAR)	Nature of Transactions	Financial Year ended 31 December			6-months ended 30 June
		2018G (audited)	2019G (audited)	2020G (audited)	2021G (unaudited)
Board members and related parties	Fees and Related Expenses	1,568	1,601	1,450	1,508
Senior management staff	Remuneration and Related Expenses	11,064	11,000	11,044	5,712
	Loans and Advances	687	602	652	-
E.A Juffali and Brothers and related parties	Insurance Premiums Written	37,264	43,000	36,263	30,747
	Paid Claims	12,727	13,057	10,300	5,505
	Expenses Incurred	4,818	6,231	5,672	3,351
SNIC Insurance BSC and related parties	Insurance Premiums Written	-	-	295	23
	Facultative Premium Ceded	-	2,650	-	-
	Facultative Commission Received	-	568	295	-
	Facultative Claims Recovered	-	1,177	-	71
Saudi British Bank and related parties*	Net Facultative Premiums	2,637	-	1,801	1,396
	Insurance Premiums Written	30,364	17,793	1,108	16
	Paid Claims	14,318	1,856	935	701
	Bank Commission Income	5,085	7,411	2,588	455
Other related parties	Commission income on short-term deposits	-	-	90	-
	Written premiums	3,766	3,460	1,816	1,772
	Paid Claims	225	734	413	16
<b>Related party transactions</b>		<b>124,523</b>	<b>111,140</b>	<b>74,723</b>	<b>51,274</b>

Source: The Company and the Financial Statements

\* Related Party until 22/12/2021G. On 19/05/1443H (corresponding to 23/12/2021G), the Saudi British Bank announced the execution of a sale and purchase agreement related to its ownership in Wataniya Insurance company with Private Wealth Investment Holding Company.

Related parties represent the major shareholders, members of the board of directors and management personnel of the company and the parties controlled or subject to significant influence by those parties. The Company, in the ordinary course of business, conducts transactions with related parties, and these transactions are carried out on mutually agreed terms with those parties and approved by the Board of Directors.

### The related parties that the company deals with include:

- **E.A Juffali and Brothers and related parties:** E.A Juffali and Brothers owns 5.0% of the Company's shares prior to the Offering (please refer to Subsection 3.3 "Substantial Shareholders" of Section 3 "Company's Background and Nature of Business"). Transactions with E.A Juffali and Brothers and related parties mainly include insurance premiums written.
- **SNIC Insurance BSC and related parties:** SNIC Insurance BSC owns 27.5% of the Company's shares prior to the Offering (please refer to Subsection 3.3 "Substantial Shareholders" of Section 3 "Company's Background and Nature of Business"). Transactions with SNIC Insurance BSC and related parties primarily include facultative premiums.
- **Saudi British Bank and Related Parties:** The Saudi British Bank use to own 20.0% of the Company's shares. On 19/05/1443H (corresponding to 23/12/2021G), the Saudi British Bank announced the execution of a sale and purchase agreement related to its ownership in Wataniya Insurance company with Private Wealth Investment Holding Company. Transactions with the Saudi British Bank mainly include commission income on deposits in addition to written insurance premiums.
- **Other Related Parties:** Other Related parties to major shareholders include entities controlled or significantly influenced by those parties. Transactions with other related parties primarily include written premiums.
- **Senior management staff:** include persons who have the authority and responsibility for planning, directing and controlling the activities of the company. Transactions with senior management personnel include salaries, compensation and end-of-service benefits.
- **Board members and related parties:** include transactions with members of the company's board of directors include annual allowances and compensation.

## Commitments and Contingencies

The Company's commitments and contingencies as of 30 June 2021G, included:

- Letters of guarantee to auto repair shops amounting to SAR 2.41 million
- Withholding tax liability of SAR 11.37 million (please refer to Zakat and Income Tax Payable paragraph above)
- The Company is a defendant in a lawsuit brought by a customer for an amount of SAR 19 million

It is worth noting that as of 15/02/2022G, the Company has 24 pending insurance cases amounting to 23.0 million Saudi Riyals (please refer to Subsection 10.11 "Disputes and Litigation" of Section 10 "Legal Information")

## Shareholders' Equity

The following table shows the Shareholders' Equity as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (63): Shareholders' Equity

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	Increase / (Decrease)			CAGR 2018G - 2020G
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un-audited)	December 2019G	December 2020G	June 2021G	
Share Capital	200,000	200,000	200,000	200,000	0.0%	0.0%	0.0%	0.0%
Statutory Reserve	10,099	13,787	15,354	15,354	36.5%	11.4%	0.0%	23.3%
Retained Earnings	29,476	44,483	50,478	22,638	50.9%	13.5%	-55.2%	30.9%
<b>Total Shareholders' Equity</b>	<b>239,575</b>	<b>258,270</b>	<b>265,832</b>	<b>237,992</b>	<b>7.8%</b>	<b>2.9%</b>	<b>-10.5%</b>	<b>5.3%</b>

Source: The Company and the Financial Statements

## Share Capital

The authorized, issued and paid-up capital of the Company is SAR 200 million divided into 20 million shares with a nominal value of SAR 10 each.

## Statutory Reserve

In accordance with Saudi Central Bank's implementing regulations, 20% of the net income for the year after adjusting accumulated losses, has to be set aside from net income for the year as a statutory reserve until this amounts to 100% of the paid-up share capital.

The Statutory Reserve amounts to SAR 15.4 million as of 30 June 2021G. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

## Retained Earnings

Due to the profit recorded by the Company in previous years /periods, the Company recorded retained earnings of SAR 22.6 million as of 30 June 2021G.

## 6.9 Cash Flow Statement

The following table shows the Cash Flow Statement for the financial years ended 31 December 2018G, 31 December 2019G, 31 December 2020G and the period of the six months ended 30 June 2021G.

Table No. (64): Cash Flow Statement

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un- audited)	2021G (un- audited)
<b>Cash flows from Operating Activities</b>					
Net income / (loss) for the year attributable to shareholders before zakat and income tax	20,433	23,783	15,224	6,002	(25,602)
<b>Adjustments for non-cash items:</b>					
Income attributable to insurance policyholders	2,353	2,512	2,468	1,153	-
Depreciation and amortization of property, equipment and intangible assets	2,504	3,953	5,970	2,792	3,350
Provision for impairment of doubtful accounts receivable, receivables from reinsurers, scrap recovery and solutions	7,900	7,473	10,398	10,852	7,048
Unrealized gain / (loss) on investment	(1,773)	(5,357)	(1,384)	529	(2,330)
Commission income on investment					(77)
	<b>31,417</b>	<b>32,364</b>	<b>32,676</b>	<b>21,328</b>	<b>(17,611)</b>
<b>Changes in operating assets and liabilities:</b>					
Insurance premiums receivable	(88,338)	30,566	(51,350)	(61,663)	(71,393)
Required of reinsurers	(8,704)	(126,731)	95,871	(46,482)	(64,197)
Reinsurers' share of unearned premiums	5,546	(905)	(24,427)	6,512	(44,999)
Reinsurers' share of outstanding claims	(125,594)	(372,153)	(28,236)	709	3,617
Reinsurers' share of incurred but not reported claims	8,272	21,789	4,228	(10,094)	(11,780)
Costs of acquiring deferred insurance policies	3,768	508	(8,528)	117,149	39,847
Prepaid expenses and other assets	(4,363)	2,687	(1,711)	(2,559)	2,769
Amounts payable to insurance policyholders	17,028	123,447	(130,704)	(115,902)	17,147
Accrued expenses and other liabilities	15,917	(4,161)	15,039	9,945	5,190
Amounts due to reinsurers, agents, brokers and third-party managers	23,041	8,481	28,796	40,230	16,227
Unearned premiums	42,060	6,533	69,745	117,293	139,176
Unearned reinsurance commission	(1,761)	(4,115)	5,058	7,126	3,215
Outstanding claims	163,964	366,160	31,525	3,929	55,258

('000' SAR)	Financial Year ended 31 December			6-months ended 30 June	
	2018G (audited)	2019G (audited)	2020G (audited)	2020G (un- audited)	2021G (un- audited)
Claims incurred but not reported	(14,881)	(11,834)	(688)	1,218	(5,388)
Insurance premium deficiency reserve	23,221	(12,376)	2,121	5,223	(3,206)
Additional infinite risk reserve	385	14	(196)	(262)	992
Other technical reserves		-	-		-
Unallocated loss adjustment expenses	3,507	1,507	(360)	293	(242)
	<b>90,888</b>	<b>61,781</b>	<b>38,859</b>	<b>93,993</b>	<b>64,622</b>
Surplus paid to policyholders	(9,509)	(5,069)	(2,512)	(2,512)	-
Zakat and income tax paid, net of refunds	(4,559)	(4,784)	(5,848)	(5,848)	(6,070)
<b>Net income / (loss) from operating activities</b>	<b>76,820</b>	<b>51,928</b>	<b>30,499</b>	<b>85,633</b>	<b>58,552</b>
<b>Cash flows used in investing activities</b>					
Additions to property and equipment	(22,319)	(4,248)	(4,340)	(6,734)	(6,736)
Additions to intangible assets	-	(16,749)	(4,883)	-	(5,000)
Short term deposits	-	-	(242,250)	-	(57,997)
Additions to investments	-	(284)	(53,000)	-	77
<b>Net cash used in investing activities</b>	<b>(22,319)</b>	<b>(21,281)</b>	<b>(304,473)</b>	<b>(6,734)</b>	<b>(69,656)</b>
Net change in cash and cash equivalents	54,501	30,647	(273,974)	78,899	(11,104)
Cash and cash equivalents at the beginning of the year/period	269,559	324,060	354,707	354,707	80,733
<b>Cash and cash equivalents at the end of the year/period</b>	<b>324,060</b>	<b>354,707</b>	<b>80,733</b>	<b>433,606</b>	<b>69,629</b>

Source: The Company and the Financial Statements

Cash and Cash Equivalents between 2018G and the six months ended 30 June 2021G is the result of Operating and Investing Activities.

## Operating Activities

Cash flows from Operating Activities decreased from SAR 76.8 million as of 31 December 2018G to SAR 51.9 million as of 31 December 2019G, as a result of the increase in cash outflows from Reinsurers' Share of Outstanding Claims.

Cash flows from Operating Activities decreased to SAR 30.5 million as of 31 December 2020G as a result of the increase in cash outflows from Outstanding Claims and Amounts Payable to Insurance Policyholders

Cash flows from Operating Activities decreased from SAR 85.6 million as of 30 June 2020G to reach SAR 58.6 million as of 30 June 2021G as a result of the increase in cash outflow from Costs of Acquiring Deferred Insurance Policies and Reinsurers' Share of Unearned Premiums.

## Investing Activities

Cash flows from Investing Activities did not register any significant change between 31 December 2018G and 31 December 2019G.

Cash flows from Investing Activities decreased from SAR (21.3) million as of 31 December 2019G to SAR (304.5) million as of 31 December 2020G as a result of the increase in cash outflow from Short term deposits.

Cash flows from Investing Activities decreased from SAR 6.7 million as of 30 June 2020 to SAR 69.7 million as of 30 June 2021G as a result of the increase in cash outflow from Short term deposits.

## 6.10 Solvency Statement

The following table shows the Solvency Statement as of 31 December 2018G, 31 December 2019G, 31 December 2020G and 30 June 2021G.

Table No. (65): Solvency Statement

('000' SAR)	31 December			30 June
	2018G	2019G	2020G	2021G
<b>Admissible Assets</b>				
Policyholders operations	759,610	1,236,303	1,258,586	1,450,925
Shareholders operations	244,551	229,609	234,651	226,905
<b>Total Admissible Assets</b>	<b>1,004,161</b>	<b>1,465,912</b>	<b>1,493,237</b>	<b>1,677,830</b>
<b>Liabilities</b>				
Policyholders operations	842,569	1,317,661	1,339,181	1,546,759
Shareholders operations	8,691	7,302	9,010	26,803
Less: Liabilities allowed to be left out in covering the minimum margin	-	-	-	(22,518)
<b>Total Liabilities</b>	<b>851,260</b>	<b>1,324,963</b>	<b>1,348,191</b>	<b>1,551,044</b>
<b>Net Admissible Assets</b>				
Policyholders operations	(82,959)	(81,358)	(80,595)	(95,834)
Shareholders operations	235,860	222,307	225,641	200,102
Adjustments allowed additions and disposals	-	-	-	22,518
<b>Total Net Admissible Assets (a)</b>	<b>152,901</b>	<b>140,949</b>	<b>145,046</b>	<b>126,786</b>
<b>Required Minimum Margin</b>				
Required Margin	108,608	112,591	122,167	130,249
<b>Total Required Margin</b>	<b>108,608</b>	<b>112,591</b>	<b>122,167</b>	<b>130,249</b>
Minimum Capital Requirement	100,000	100,000	100,000	100,000
Total Required Margin (b)	108,608	112,591	122,167	130,249
Excess / (deficiency) of Net Admissible Assets over required minimum margin (a)-(b)	44,293	28,358	22,879	(3,463)
<b>Solvency Margin</b>	<b>140.8%</b>	<b>125.2%</b>	<b>118.7%</b>	<b>97.3%</b>

Source: The Company

According to the Saudi Central Bank's implementing regulations, the Company is required to maintain a margin of solvency equal to the highest of the following three amounts:

- Minimum capital requirement of SAR 100.0 million;
- Premium Solvency Margin; and
- Claims Solvency Margin.

The Company has fully complied with the share capital requirements during the years 2018G, 2019G and 2020G. The net admissible assets were insufficient to cover the minimum capital requirements of SAR 100.0 million as of 30 June 2021G were solvency margin reached 97.3%.

## 7. Use of Offering Proceeds

### 7.1 Net Offering Proceeds

It is expected that the total proceeds of the Rights Issue will reach SAR 200 million. About SAR 6.0 million is expected to be deducted from the total Offering Proceeds, to cover expenses and fees of the Financial Advisor, Legal Advisor, Lead Manager, Underwriter, in addition to the advertising expenses and other expenses related to the Offering. Accordingly, the Net Offering Proceeds will be around SAR 194.0 million.

### 7.2 Use of Net Offering Proceeds

All insurance companies operating in the Kingdom operate according to the Cooperative Insurance Companies Control Law and its Implementing Regulations and subsequent amendments routinely issued by the Saudi Central Bank.

Net Offering Proceeds will be mainly used to support the Company's business while complying with the solvency requirements. It will be used in Financial Investment and the increase of the Statutory Deposit as required by the Saudi Central Bank. Shareholders will not receive any of the Offering Proceeds.

The table below shows the suggested use of the Offering Proceeds:

Table No. (66): Suggested use of Offering Proceeds

Description	Value (million SAR)	% of Total Offering Proceeds
<b>Total Offering Proceeds</b>	<b>200</b>	<b>100.0%</b>
Expected Offering Expenses	6	3.0%
<b>Net Offering Proceeds</b>	<b>194</b>	<b>97.0%</b>
Increase of the Statutory Deposit	20	10.0%
General Business	24	12.0%
Financial Investments	150	75.0%

Source: The Company

In accordance with the requirements of Article (54) Paragraph (b) of the Rules on the Offer of Securities and Continuous Obligations, the Company shall disclose when there is a difference of (5%) or more between the actual use of the Offering Proceeds against what has been disclosed in this Prospectus.

The Company will use the offering proceeds as follows:

#### Use of Net Offering Proceeds to increase the Statutory Deposit

Pursuant to the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank, the statutory deposit should be 10% of the paid-up share capital. Accordingly, the Company will allocate SAR 20 million from the Net Offering Proceeds as statutory deposit. The total statutory deposit will be SAR 40 million. The Company intends to address the Saudi Central Bank to amend the statutory deposit ratio after completion of the Capital Increase.

#### Use of Net Offering Proceeds for General Business

The Company will use SAR 24 million from the Net Offering Proceeds for general business. These funds will be used to further enhance the Company's infrastructure development and investment in Human capital. These includes investments in Information Technology, manpower development and to meet the challenges of operating in the Kingdom insurance industry. This will be completed by end of 2025G.

#### Use of Net Offering Proceeds for Investments and Deposits

The Company intends to allocate SAR 150 million from the Net Offering Proceeds for investments and financial deposits. The Company aims to increase short and medium-term deposits in addition to increasing and diversifying the Company's investment portfolio. The Company's portfolio consists of investment funds, equity shares and sukuk in the Kingdom. The Company intends to increase its deposits and diversify its investments as soon as the Capital Increase is completed.

The amounts will be distributed to investment channels in accordance with Article (61) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states the following:

- 1- The Company shall, when formulating its investment policy, take into consideration that the maturity of its invested assets is in concurrence with its liabilities according to the issued policies. The Company shall provide SAMA with an investment policy inclusive of assets distribution. If such investment policy was not approved by SAMA, the Company shall adhere to the investment standards in Table (1) of the Implementing Regulations, provided that investments outside the Kingdom shall not exceed 20% of the total investment and in accordance with paragraph (2) of Article (59) which states that the Company shall invest (50%) of its total invested assets in Saudi Riyals. If the Company wishes to reduce this percentage, a prior written approval must be obtained by SAMA.
- 2- The Company shall take into consideration the investment concentration risks, so that the concentration percentage does not exceed (50%) of each investment in Table (1) of the Implementing Regulations.

According to Article (62) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states that the Company shall not use financial instruments, such as derivatives and off-balance-sheet items, other than for efficient portfolio management and with SAMA's written approval. The Company is permitted to invest in such instruments when these conditions are met:

- 1- Such derivatives must be listed on a financial exchange, are capable of being readily closed out, are based on underlying admissible assets and have a prescribed pricing basis.
- 2- The Company has set aside assets that can be used to settle any obligations under these derivatives and set adequate provisions for any adverse changes on the derivatives and their coverage.
- 3- The counter party must be reputable and in an acceptable financial condition.

It is worth noting that the Company has existing investments (for more information, please see Subsection 6.8 "**Statement of Financial Position**" from Section 6 "**Financial Information and Management Discussion and Analysis**").

### 7.3 The Effect of the Capital Increase on the Solvency Margin

The Company intends to increase its capital from SAR 200.0 to SAR 400.0 million to support the growth of its business, through Financial Investments (within the traditional activities of the Company) and increasing the Statutory Deposit.

The Implementing Regulations of the Cooperative Insurance Companies Control Law require insurance companies to preserve a minimum level of admissible net assets recognizable in the solvency margin account. This requirement translates into the need to maintain a minimum amount of the full solvency margin (100%) (net admissible assets divided by the minimum solvency margin).

SAMA requires insurance companies to evaluate their net assets for the purpose of calculating net admissible assets in the solvency account in accordance with the specific tables and percentages of inclusion issued by SAMA, taking into account the following:

- The asset valuation shall not exceed its market value, except for the assets of securing protection and savings related to the investment
- The maximum shall be (20%) twenty percent of the total permitted assets associated with a single party

Article (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law stipulates that a company practicing general and health insurance business shall retain a minimum required solvency margin equivalent to the highest of the following three ways:

- Minimum capital requirements, which is SAR 100.0 million for insurance companies and SAR 200.0 million for reinsurance companies or insurance companies that are engaged in reinsurance operations
- Gross Premiums Written
- Claims

Article (67) of the Implementing Regulations of the Cooperative Insurance Companies Control Law stipulates that the solvency margin for a company practicing protection and savings insurance business shall be determined by taking the sum of the following parts:

- 4% of the technical allocation for protection and savings insurance
- 0.3% of the capital at risk for protection and savings policies for individuals after the deduction of ceded reinsurance, provided that the reinsurance amount does not exceed 50% of the total capital at risk of the protection and savings policies for individuals.
- 0.1% of the capital at risk for protection and savings policies for groups after the deduction of ceded reinsurance, provided that the reinsurance amount does not exceed 50% of the total capital at risk of protection and savings insurance policies for groups.

The following table shows the Solvency Statement as of 31 December 2019G and 31 December 2020G.

**Table No. (67): Details of Company's solvency margin as of 31/12/2019G and 31/03/2020G**

('000' SAR)	31 December	
	2019G	2020G
Minimum Capital Requirements	100,000	100,000
Premium Solvency Margin	112,591	122,167
Claims Solvency Margin	101,845	107,100
Maximum Required Solvency Margin	112,591	122,167
Net Admissible Assets	140,949	145,046
Solvency Margin (%)	125%	119%

Source: The Company

The Company has fully complied with the share capital requirements imposed as of 31 December 2019G and 31 December 2020G, however it did comply with the minimum solvency margin cover imposed by SAMA of 100%, as the solvency margin cover reached 93.7%.

The table below shows the expected contribution of the net proceeds of the subscribed to shares to maintain SAMA's solvency requirements over the next few years.

**Table No. (68): Expected contribution of the net proceeds to maintaining the solvency margin requirements**

('000' SAR)	31 December				
	2021G (expected)	2022G (expected)	2023G (expected)	2024G (expected)	2025G (expected)
Minimum Capital Requirements	100,000	100,000	100,000	100,000	100,000
Premium Solvency Margin	135,145	163,246	174,975	187,669	201,420
Claims Solvency Margin	112,630	99,855	119,967	132,093	142,513
Maximum Required Solvency Margin	135,145	163,246	174,975	187,669	201,420
Net Admissible Assets	119,201	302,448	291,720	290,478	296,961
Solvency Margin (%)	88%	185%	167%	155%	149%

Source: The Company



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## 8. Statement by Experts

The Advisors whose names appear on pages (vi) and (vii) , have given their consents to the inclusion of their names, logos and statements in the form and content included in this Prospectus and have not withdrawn such a consent until the date of this Prospectus. None of such consents have been withdrawn until the date of this Prospectus. Nor do any of them or their employees or any of their relatives have any shares or interest of any kind in the Company.



## 9. Declarations

As of the date of this Prospectus, the Company's Directors declare that:

- 1- There has not been any interruption in the business of the Issuer which may have or has had a significant effect on the financial position in the last 12 months.
- 2- No commissions, discounts, brokerage or other non-cash compensation have been granted within the three years immediately preceding the application for registration and offer of securities that are subject to this Prospectus in connection with the issue or offer of any securities by the Issuer.
- 3- There has not been any material adverse change in the financial and trading position of the Issuer in the three financial years preceding the application for registration and offer of securities that are subject to this Prospectus, in addition to the period from the end of the period covered in the external auditors' report up to and including the date of approval of the Prospectus.
- 4- Other than what has been mentioned in Table 1 "**Company's Board of Directors**" and in Subsection 6.8 "**Statement of Financial Position**" of Section 6 "**Financial Information and Management Discussion and Analysis**", the Directors do not have any shareholding or interest of any kind in the Company or any of its subsidiaries, and nor does any relative of theirs.
- 5- The Issuer did not keep treasury shares, and the Extraordinary General Assembly did not approve the purchase of the Company's shares.



## 10. Legal Information

### 10.1 Company's Name

The Company was listed in the Commercial Registry of Joint Stock Companies in Jeddah under the trade name "**Wataniya Insurance Company**".

### 10.2 Company's Incorporation and Capital Development Phases

- "**Wataniya Insurance Company**" is a Saudi public joint stock company established in accordance with Royal Decree no. M/53 dated 21/10/1430H (corresponding to 10/10/2009G) and resolution no. 330 of the Council of Ministers' dated 16/10/1430H (corresponding to 05/10/2009G) and Investment License no. 112730128101-01 dated 26/01/1426H (corresponding to 07/03/2005G). The Company operates under Commercial Registration no. 4030200981 (unified no. 7001629364) dated 01/06/1431H (corresponding to 15/05/2010G) issued in Jeddah. The Company's head office is located in Jeddah Medina Road, Juffali Building, P.O. Box 5832, Jeddah 21432, Kingdom of Saudi Arabia.
- On 23/06/1431H (corresponding to 06/06/2010G), the Company listed its entire shares amounting to ten million (10,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share on the Saudi Exchange. The Founding Shareholders subscribed to seven million (7,000,000) shares representing 70% of the Company's total number of shares and have fully paid them, while the remaining three million (3,000,000) shares representing 30% of the Company's total number of shares were offered to the public at ten (10) Saudi Riyals per share from Monday 06/04/1431H (corresponding to 22/03/2010G) to Sunday 12/04/1431H (corresponding to 28/03/2010G) at an offering price of ten (10) Saudi Riyals per share.
- On 04/07/1431H (corresponding to 16/06/2010G), the Company obtained the Saudi Central Bank ("**SAMA**") license no. TMN/29/20106 to engage in the business of general insurance and protection and savings insurance, in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The license was successfully renewed for a period of three years on 23/02/1443H (corresponding to 30/09/2021G) that starts on 03/07/1443H (corresponding to 04/02/2022G) and ends on 02/07/1446H (corresponding to 02/01/2025G).
- On 26/06/1436H (corresponding to 15/04/2015G), the Board of Directors recommended to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals, where it has obtained the Saudi Central Bank's non-objection pursuant to the letter no. 371000004974 dated 12/01/1437H (corresponding to 25/10/2015G).
- On 26/10/1437H (corresponding to 31/07/2016G), the Extraordinary General Assembly approved the increase of the Company's capital by one hundred million (100,000,000) Saudi Riyals by way of Rights Issue. After completion of the offering, the Company's capital reached two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) shares with a nominal value of ten (10) Saudi Riyals per share.
- On 09/02/1443H (corresponding to 16/09/2021G), the Board of Directors recommended to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals, conditional on obtaining the necessary regulatory approvals and the Extraordinary General Assembly approval. The Company obtained the Saudi Central Bank's non-objection on the Capital Increase from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by way of Rights Issue pursuant to letter 43028502 dated 01/04/1443H (corresponding to 06/11/2021G) subject to fulfilling all regulatory requirements.
- On 12/09/1443H (corresponding to 13/04/2022G) the Extraordinary General Assembly approved to increase the Company's capital from two hundred million (200,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals by way of Rights Issue.

**Amended Bylaws:** On 29/08/1442H (corresponding to 11/04/2021G), the Extraordinary General Assembly approved the amendments of the Company's Bylaws, and the Company's Amended Bylaws were approved by the Ministry of Commerce (Companies Governance Department) on 20/11/1442H (corresponding to 30/06/2021G).

### 10.3 Company's Objectives

- According to the Commercial Register no. 4030200981 dated 01/06/1431H (corresponding to 15/05/2010G), the Company may practice: General insurance and protection and saving insurance.
- In accordance with Article (3) of the Bylaws, the Company may:
  - Practice cooperative insurance in the general insurance and protection and savings insurance. It may also exercise all necessary business activities to achieve its purposes. The Company shall carry out its own business activities in accordance with the Cooperative Insurance Companies Control Law and its Implemented Regulations, together with all laws and rules applicable in the Kingdom of Saudi Arabia, and after obtaining the necessary licenses from the relevant authorities, if any.
- The Company obtained the final approval from the Saudi Central Bank to practice its insurance activities. For more information, please refer to Subsection 10.6 **"Government Approvals, Licenses and Certificates"** of this Section.

### 10.4 Company's Term

Article 6 of the Company's Bylaws provided that the term of Company shall be ninety-nine (99) Gregorian years commencing on the date of recording it in the Commercial Registry. The term of the Company may be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term. The Commercial Registry's data indicated that the Company's term expires on 16/06/1533H (corresponding to 16/05/2019G).

### 10.5 Board of Directors

#### 10.5.1 Board Configuration

Pursuant to Article (15) of the Company's Bylaws, the Company shall be managed by a Board of Directors consisting of ten (10) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years according to the terms and standards stipulated in the Company's Bylaws and Corporate Governance Manual and after obtaining the Saudi Central Bank's approval. The Company's Ordinary General Assembly approved, in its meeting held on 20/08/1440H (corresponding to 25/04/2019G), the election of the Board of Directors' members for the current term starting on 21/08/1440H (corresponding to 26/04/2019G) for a period of 3 years ending on 24/09/1443G (corresponding to 25/04/2022G). The Board of Directors for the current term consist of the following members:

Table No. (69): Company's Board of Directors

Board of Directors appointed on 20/08/1440H (corresponding to 25/04/2019G)*									
Name	Position	Represented Side	Nationality	Age	Membership status	Date of appointment	Shares owned**		
							Direct	Indirect *****	%
Hussein Saeed Akiel***	Chairman	-	Saudi	50	Non-Independent / Non-Executive	26/04/2019G	12,000	-	0.06%
Faisal Mohammed Charara***	Vice Chairman	SNIC Insurance B.S.C	Saudi	57	Non-Independent / Non-Executive	26/04/2019G	4,000	-	0.02%
Amin Mousa AlAfifi	Director	E.A. Juffali and Brothers	Saudi	62	Non-Independent / Non-Executive	26/04/2019G	-	-	0.00%
Bernd Aloys Kohn	Director	New Reinsurance Company Ltd.	Deutsch	51	Non-Independent / Non-Executive	26/04/2019G	-	-	0.00%
Haitham Habib AlBakree****	Managing director	-	Saudi	49	Non-Independent / Executive	06/10/2021G	1,500	-	0.01%
Nidal Mohammed Radawan	Director	-	Saudi	59	Independent / Non-Executive	26/04/2019G	10	-	0.00%
Rakan Amer AlHoshan	Director	-	Saudi	53	Independent / Non-Executive	26/04/2019G	-	-	0.00%

Board of Directors appointed on 20/08/1440H (corresponding to 25/04/2019G)*									
Name	Position	Represented Side	Nationality	Age	Membership status	Date of appointment	Shares owned**		
							Direct	Indirect *****	%
Haitham Faruk Akhdar	Director	-	Saudi	51	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Raed Salman Sater	Director	-	Bahraini	52	Independent / Non-Executive	26/04/2019G	-	-	0.00%
Taher Mohammed ALDabbagh*****	Director	-	Saudi	65	Non-Independent / Non-Executive	11/04/2021G	-	-	0.00%

Source: The Company

\* On 20/08/1440H (corresponding to 25/04/2019G), the Company's Ordinary General Assembly resolved to appoint the Board of Directors for a period of 3 years starting from 21/08/1440H (corresponding to 26/04/2019G) and ending on 24/09/1443H (corresponding to 25/04/2022G).

\*\* Ownership as of 15/02/2022G.

\*\*\* The Board of Directors appointed Dr. Hussein Saeed Akiel as Chairman (Non-Executive) and Mr. Faisal Mohammed Charara as Vice Chairman (Non-Executive). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

\*\*\*\* On 28/11/1442H (corresponding to 08/07/2021G), the Board of Directors appointed Mr. Haitham Habib AlBakree as Executive Director – Managing Director instead of Mr. Soren Craig Nikolajsen who submitted his resignation on 30/08/1442H (corresponding to 12/04/2021G). The Company obtained the Saudi Central Bank's non-objection on this appointment by email on 29/02/1443H (corresponding to 06/10/2021G), subject to obtaining the General Assembly approval in the next meeting to be held, the date of which will be announced later.

\*\*\*\*\* On 29/08/1442H (corresponding to 11/04/2021G), the Extraordinary General Assembly approved the Board recommendation on appointing Mr. Taher Mohammed ALDabbagh – Non-Executive Director from 19/03/1442H (corresponding to 05/11/2020G) to complete the current Board session until 24/09/1443H (corresponding to 25/04/2022G).

\*\*\*\*\* As of the date of this Prospectus, the Directors do not have any indirect ownership in the Company.

The Company adheres to the Companies Law and Corporate Governance Regulations issued by the Board of Directors of the Capital Market Authority, and the Insurance Corporate Governance Regulations issued by the Saudi Central Bank. The Company's Bylaws stipulates that the number of Board members must be 10 members elected by the Ordinary General Assembly for a term not exceeding 3 years. The Company's Corporate Governance Manual indicate the Company's adherence to Article (J-3) of the Corporate Governance Regulations which requires listed companies that the majority of Directors of the Board must be non-executives and the independent members of the Board of Directors shall not be less than two members, or one-third of the members, whichever is greater. Accordingly, the Company has complied with Clause (54) of the Insurance Corporate Governance Regulations. Currently, 4 out of 10 members of the Board of Directors are independent.

## 10.5.2 Chairman and Vice Chairman

The Company is bound by its Bylaws, the Corporate Governance Regulations issued by the CMA and the Insurance Corporate Governance Regulations issued by the Saudi Central Bank with respect to the mandatory appointment in these positions. The Company's Board of Directors resolved to appoint Dr. Hussein Saeed Akiel as Chairman of the Board of Directors (non-executive) and Mr. Faisal Mohammed Charara as Vice Chairman of the Board of Directors (non-executive). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the Board of Directors Positions:

**Table No. (70): Company's Board of Directors Position**

Name	Position
Hussein Saeed Akiel	Chairman
Faisal Mohammed Charara	Vice Chairman

Source: The Company

According to the Company's Bylaws, the Board shall have the widest powers in managing the affairs of the Company and may, within the limits of its authority, delegate to one or more of its members or other parties the power of performing certain work or works without prejudice to the relevant laws and regulations. The Chairman of the Board of Directors may sign on behalf of the Company and enforce the Board's decisions. The Chairman of the Board shall be responsible for representing the Company before courts, arbitration panels, and others, and may - pursuant to a written decision - delegate some of its powers to other Board members or other parties to pursue a certain work or works.

### 10.5.3 Board Remuneration

The Board remuneration consists of the percentage prescribed in the Company’s Bylaws. The Board of Directors’ report for the year 2020G which was approved by the Extraordinary General Assembly on 28/08/1442H (corresponding to 11/04/2021G), the Board of Directors’ report for the year 2019G which was approved by the Extraordinary General Assembly on 28/08/1441H (corresponding to 22/04/2020G), and the Board of Directors’ report for the year 2018G which was approved by the Extraordinary General Assembly on 20/08/1440H (corresponding to 25/04/2019G), included a comprehensive statement of all the bonuses, allowances, expenses, etc. received by the Board of Directors during the fiscal year. Furthermore, the mentioned report also included a statement of the payments received by the Board members in their capacity as employees or administrative or the payments they received for technical, administrative, or consultancy works, as well as the number of Board sessions attended by each member as of the date of the last General Assembly meeting.

Article 19 of the Company’s Amended Bylaws stipulated that the Board of Directors’ remuneration shall be a fixed amount or allowance for attending sessions or in-kind benefits or specific percentage of net profits, and two or more of the benefits may be combined. If the remuneration is a specific percentage of the Company’s profits, such percentage must not exceed 10% of net profits after deducting the reserves determined by the General Assembly in implementation of the Cooperative Insurance Companies Control Law and the Companies Law and after distributing at least 5% of the Company’s paid-up capital as dividends to shareholders. Remuneration shall be proportionate to the number of sessions attended by the member. In any event, the total remuneration of the Board member, including bonuses and monetary or in-kind benefits, may not exceed SAR 500,000 annually.

The expenses of the Board members for the year ended 31 December 2018G, the year ended 31 December 2019G, and the year ended 31 December 2020G amounted to SAR 1,568,000, SAR 1,600,739, and SAR 1,450,153 respectively.

### 10.5.4 Board Committees

The Company has five (5) committees in place as follows:

#### Executive Committee

The Executive Committee consists of five (5) members. The Executive Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board’s current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank’s non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Executive Committee:

**Table No. (71): Executive Committee members**

Name	Position
Faisal Mohammed Charara	Chairman (non-executive member of the Board)
Nabil Peter Choueiri	Member (independent member from outside the Board)
Haitham Habib AlBakree	Member (executive member of the Board – CEO of the Company)
Ali Ibrahim ElHussein	Member (Senior Executive)
Sohail Fazl Abbas	Member (Senior Executive)

Source: The Company

#### Committee Functions:

- The purpose of this Committee is to assist the CEO in performing his functions, including:
- Preparing, implementing, and developing strategic and operational plans, and policies, procedures, and budgets.
- Monitoring the Company’s operational and financial performance.
- Evaluating and monitoring risks.
- Identifying priorities and allocating resources thereto.
- Monitoring competitive forces in all the Company’s operations.
- Monitoring and adopting changes related to the reconfiguration of the Company’s headquarters.
- Monitoring and adopting additional government fees imposed on the Company’s employees.

The Executive Committee held six (6) meetings during 2020.



## Investment Committee

The Investment Committee consists of three (3) members. The Investment Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board's current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank's non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Investment Committee:

**Table No. (72): Investment Committee members**

Name	Position
Faisal Mohammed Charara	Chairman (non-executive member of the Board)
Bernard Van Linder	Member (independent member from outside the Board)
Haitham Habib AlBakree	Member (executive member of the Board - CEO of the Company)

Source: The Company

### Committee Functions:

The Investment Committee oversees the management of all aspects of investment assets maintained by the Company within the powers entrusted thereto by the Board of Directors and in accordance with applicable laws in Saudi Arabia.

The Investment Committee held two (2) meetings during 2020G.

## Audit Committee

The Audit Committee consists of three (3) members. The Audit Committee was appointed by the Ordinary General Assembly in its meeting held on 26/06/1441H (corresponding to 20/02/2020G) for a term ending with the end of the Board's current term on 24/09/1443H (corresponding to 25/04/2022G). The Chairman of the Audit Committee was appointed at the recommendation of the Board of Directors in the Committee's meeting on 20/08/1440H (corresponding to 25/04/2019G). The Company obtained the Saudi Central Bank's non-objection no. 89/38090 dated 13/11/1440H (corresponding to 15/07/2019G).

The table below shows the members of the Audit Committee:

**Table No. (73): Audit Committee members**

Name	Position
Sirajeddine Anwar Muthereddine	Chairman (independent member from outside the Board)
Sami Musa AlHalabi	Member (independent member from outside the Board)
Nidal Mohammed Radawan	Member (independent member of the Board)

Source: The Company

### Committee Functions:

- Review administrative risks and evaluate the Company's operations with respect to risks and internal control systems.
- Ensure the integrity of the Company's financial data and efficiency of external audit and internal audit functions.

The Audit Committee held nine (9) meetings during 2020G.

## Remuneration and Compensation Committee

The Remuneration and Compensation Committee consists of three (3) members. The Remuneration and Compensation Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board’s current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank’s non-objection no. 89/38911 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Remuneration and Compensation Committee:

**Table No. (74): Remuneration and Compensation Committee members**

Name	Position
Raed Salman Sater	Chairman (independent member of the Board)
Faisal Mohammed Charara	Member (non-executive member of the Board)
Sami Musa AlHalabi	Member (independent member from outside the Board)

Source: The Company

### Committee Functions:

- Ensure transparency in the appointment, selection, changing, and evaluation of the Company’s Board members.
- All appointments and changes are ratified by the General Assembly.
- Develop policies with respect to the remuneration and bonuses of Board members and senior executives.
- Evaluate the Board of Directors, committees, and Executive Management of the Company.

The Remuneration and Compensation Committee held three (3) meetings during 2020G.

## Risk Management Committee

The Risk Management Committee consists of three (3) members. The Risk Management Committee was appointed by the Board of Directors in its meeting held on 20/08/1440H (corresponding to 25/04/2019G) for a term ending with the end of the Board’s current term on 24/09/1443H (corresponding to 25/04/2022G). The Company obtained the Saudi Central Bank’s non-objection no. 89/3891 dated 22/11/1440H (corresponding to 25/07/2019G).

The table below shows the members of the Risk Management Committee:

**Table No. (75): Risk Management Committee members**

Name	Position
Amin Mousa AlAfifi	Chairman (non-executive member of the Board)
Nidal Mohammed Radawan	Member (independent member of the Board)
Haitham Habib AlBakree	Member (executive member of the Board – CEO of the Company)

Source: The Company

### Committee Functions:

The purpose of this Committee is to assist the Board of Directors in carrying out its supervisory responsibilities with respect to:

- Ensuring that the Company carries out risk-related functions in accordance with the Company’s policies and procedures, statutory obligations, governance principles, and the Company’s strategy.
- The Committee presents its reports, notes, and recommendations directly to the Board of Directors. The Committee’s Chairman presents notes and recommendations to the Board Chairman according to powers and responsibilities.

The Risk Management Committee held two (2) meetings during 2020G.



### 10.5.5 Senior Management

The table below shows the names and details of Senior Management:

**Table No. (76): Senior Management**

Name	Position	Nationality	Age	Date of appointment	Shares owned*		
					Direct	Indirect	%
Haitham Habib AlBakree	Chief Executive Officer	Saudi	49	01/04/2013G	1,500	-	0.01%
Ali Ibrahim ElHussein	Commercial and Technical Advisor	Sudanese	71	01/04/2010G	-	-	0.00%
Sohail Fazl Abbas	Chief Financial Officer	Pakistani	60	01/04/2010G	-	-	0.00%
Ghassan Hamza Junaid	Head of Corporate Governance, Legal and Admin	Saudi	48	01/04/2010G	-	-	0.00%
	Acting Head of Human Capital						
Mohammed Saed Bawzeer	Head of Compliance, AML and CTF	Saudi	33	01/02/2018G	-	-	0.00%
Majed Breek AQIGHamdi	Head of operations	Saudi	41	10/05/2015G	-	-	0.00%
Ahmed Mohammed Rambo	Head of Information Security	Saudi	30	13/10/2019G	-	-	0.00%
Mohammed Hashem Ammourah	Head of Strategy Implementation	American	37	10/03/2020G	-	-	0.00%
	Acting Head of Commercial						
Pantelis Nicholas Messolonghitis	Head of Technical	Greek	53	01/08/2021G	-	-	0.00%
Mostafa Mohammed Dafterdar	Head of Risk Management	Saudi	46	06/02/2019G	-	-	0.00%
Ayman Faisal Abu Shusha	Head of Internal Audit	Saudi	35	07/06/2021G	-	-	0.00%
Murtaza Mustafa Quettawala	Actuary	Pakistani	33	01/05/2020G	-	-	0.00%
Sanea Mohammed Zeineddine	Head of Clients Care	Saudi	43	01/11/2018G	-	-	0.00%

Source: The Company

\* Ownership as of 15/02/2022G

### 10.5.6 Corporate Governance

In accordance with the laws, regulations, and instructions issued by the Capital Market Authority, particularly the Corporate Governance Regulation issued by the Capital Market Authority pursuant to Resolution no. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) pursuant to the Companies Regulations issued by Royal Decree no. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by a Resolution of The Board of the Capital Market Authority no. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G), in addition to the Insurance Corporate Governance Regulations issued by the Saudi Central Bank, a corporate governance manual was developed for the Company and approved, along with its amendments, during the Board of Directors meeting held on 03/09/2020G.

## 10.6 Government Approvals, Licenses and Certificates

The Company (including its branches) obtained several statutory and operational licenses and certificates from competent entities. Such licenses are periodically renewed, and expired ones are in the process of being renewed as per usual procedures. Board members declare that the Company has obtained all mandatory licenses and approvals to conduct its business and continues to do so, and that expired licenses or approvals are in the process of being approved, and that they are not aware of any issues that could prevent the renewal of expired ones. The table below shows the current licenses and certificates obtained by the Company:

**Table No. (77): Licenses and Certificates obtained by the Company**

Certificate Type	Purpose	Certificate Number	Date of Issuance	Date of Expiry	Issuing entity
Commercial Registration	Registration of the Company in the commercial registry (joint stock companies)	4030200981	01/06/1431H (corresponding to 15/05/2010G)	01/06/1446H (corresponding to 03/12/2024G)	Ministry of Commerce Jeddah Office*
Authorization to undertake insurance business	Undertaking General and Protection and Savings insurance business	TMN/29/20106	04/07/1431H (corresponding to 16/06/2010G)	02/07/1446H (corresponding to 02/01/2025G)	Saudi Central Bank**
Investment License	Undertaking insurance business	01-112730128101	26/01/1426H (corresponding to 07/03/2005G)	12/12/1443H (corresponding to 11/07/2022G)	Ministry of investment***
Commercial Activity License	Undertaking insurance business	39111436018	-	07/11/1443H (corresponding to 06/06/2022G)	Ministry of Municipal, Rural Affairs and Housing - Jeddah
Commercial Activity License	Undertaking insurance business	39111434701	-	11/10/1443H (corresponding to 12/05/2022G)	Ministry of Municipal, Rural Affairs and Housing - Jeddah
VAT Certificate	Certificate of fulfilment of VAT registration	300189677400003	14/04/1439H (corresponding to 01/01/2018G)	-	Zakat, Tax and Customs Authority
Chamber of Commerce and Industry Membership Certificate	Fulfilment of subscription to Chamber of Commerce	4030200981	01/06/1431H (corresponding to 15/05/2010G)	01/06/1446H (corresponding to 02/12/2024G)	Jeddah Chamber
Saudization Certificate	Fulfilment of MOL requirements	20002201014458	17/06/1443H (corresponding to 20/01/2022G)	19/09/1443H (corresponding to 20/04/2022G)	Ministry of Human Resource and Social Development****
Zakat Certificate	To indicate that the Company has filled its tax returns upon until 31/12/2020G	1110672868	09/09/1442H (corresponding to 21/04/2021G)	29/09/1443H (corresponding to 30/04/2022G)	GAZT
Certificate of registration of Intellectual Property	Registration of Wataniya logo in English and Arabic	1436014484 1436014483	04/07/1436H (corresponding to 23/04/2015G)	03/07/1446H (corresponding to 03/01/2025G)	Saudi trademark office
GOSI Certificate	Certificate of fulfillment of GOSI requirements	43580937	17/06/1443H (corresponding to 20/01/2022G)	17/07/1443H (corresponding to 18/02/2022G)	GOSI (Jeddah)

Source: The Company

\* Ministry of Commerce, formerly known as Ministry of Commerce and Investment

\*\* Saudi Central Bank, formerly known as Saudi Arabian Monetary Authority

\*\*\* Ministry of Investment, formerly known as General Investment Authority

\*\*\*\* Ministry of Human Resource and Social Development, formerly known as Ministry of Labor and Social Development

**Table No. (78): Licenses and Certificates obtained by the Company's branches**

Issuing Entity	Purpose	License Number	Date of Issuance	Date of Expiry	License Type
Ministry of Commerce - Commercial Registry Office in Khobar	Listing the Company in the Commercial Companies Register (Company branch)	2051222999	16/02/1440H (corresponding to 25/10/2018G)	16/02/1445H (corresponding to 01/09/2023G)	Commercial register
Ministry of Commerce - Commercial Registry Office in Riyadh	Listing the Company in the Commercial Companies Register (Company branch)	10104774145	16/02/1440H (corresponding to 25/10/2018G)	02/1445H (corresponding to 01/09/2023G)	Commercial register
Ministry of Municipal and Rural Affairs - Riyadh Municipality	Main offices activities	0112500753	-	21/11/1443H (corresponding to 20/06/2022G)	Commercial activity license
Ministry of Human Resources and Social Development	To indicate that the Company is in compliance with the required localization percentage according to Nitaqat Program	20002201014458	17/06/1443H (corresponding to 20/01/2022G)	19/09/1443H (corresponding to 20/04/2022G)	Saudization certificate
Ministry of Municipal and Rural Affairs - Khobar Municipality	Practicing insurance activities	40082114706	-	10/08/1443H (corresponding to 13/03/2022G)	Commercial activity license

Source: The Company

## 10.7 Summary of approvals related to insurance products offered by the Company in accordance with applicable laws

The Company provides cooperative insurance services in the Kingdom, and its main activity includes all categories of general insurance and protection and savings insurance. The Company offers its products through 41 different policies divided into 7 sectors: Motor Insurance, Marine Insurance, Engineering Insurance, Accident and Liability Insurance, Property Insurance, Extended Warranty Insurance, and Life Insurance.

The Company may only offer its products after obtaining a final or temporary approval for each product from the Saudi Central Bank (pursuant to Article 16 of the Implementing Regulations). The following table shows the products offered by the Company according to the approval obtained from the Saudi Central Bank:

**Table No. (79): Company's Products**

No.	Policy Name	Description	Approval #	Final Approval Date
1	Commercial Vehicles Comprehensive Insurance Policy	Covers substantial damage to the insured automobile, physical damage and damage to the property of third parties due to accidents involving an insured commercial automobile	341000062957	19/05/1434H (corresponding to 31/03/2013G)
2	Private Motor Comprehensive Insurance Policy	Covers substantial damage to the insured automobile, physical damage and damage to the property of third parties due to accidents involving an insured private automobile	341000062957	19/05/1434H (corresponding to 31/03/2013G)
3	Public Liability (Third Party) Policy	Covers body and property damage to third parties due to accidents involving an insured automobile.	341000062957	19/05/1434H (corresponding to 31/03/2013G)
4	Motor Traders (External Risk) Policy	Covers the responsibilities of the owners of dealerships and workshop owners while test driving customers' cars outside the insured place after repair.	341000062957	19/05/1434H (corresponding to 31/03/2013G)
5	Life Insurance Policy (group)	Covers death of the insured for any reason under specific conditions	341000005966	13/01/1434H (corresponding to 28/11/2012G)
6	Comprehensive Banking Insurance Policy	Covers banks against all risks such as employee disloyalty, theft, risks to money in transit, forgery, distortion, and counterfeit currency	3810000024377	27/03/1438H (corresponding to 26/12/2016G)
7	Travel Policy	Covers policyholders while traveling abroad against specified risks such as death or injuries.	3810000024377	02/03/1438H (corresponding to 01/12/2016G)

No.	Policy Name	Description	Approval #	Final Approval Date
8	Professional Indemnity Policy (Medical Malpractice/Practitioners)	Covers protection of any medical practitioner against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	381000024374	02/03/1438H (corresponding to 01/12/2016G)
9	Householders Comprehensive Policy	Covers housing against a wide range of risks, such as fire	381000022780	28/02/1438H (corresponding to 28/11/2016G)
10	Machinery Loss of Profits Policy	Covers profit losses resulting from breakdowns of plants and machinery.	381000022767	28/02/1438H (corresponding to 28/11/2016G)
11	Fire Insurance Policy	Covers losses and damages to insured properties from fire and other specific risks.	381000022778	28/02/1438H (corresponding to 28/11/2016G)
12	Extended Warranty Insurance Policy	Covers mechanical breakdowns of automobiles beyond the manufacturers' warranties provided by agents. Different levels are included: <ul style="list-style-type: none"> <li>• Platinum coverage of brand-new cars</li> <li>• Gold coverage of brand-new cars</li> <li>• Gold coverage of used cars</li> <li>• Silver coverage of used cars</li> <li>• Bronze coverage of used cars</li> </ul>	381000022777	28/02/1438H (corresponding to 28/11/2016G)
13	Installation Risk Insurance Policy	Covers risks related to storage, assembly, or installation, and covers the period of machine testing and operation at the factory. The policy grants full coverage against all risks unless specifically excluded.	-	28/02/1438H (corresponding to 28/11/2016G)
14	Electronic Equipment Insurance Policy	Covers unexpected damage resulting from electronic devices. The policy also covers external information media and increased costs and work expenses	381000022775	28/02/1438H (corresponding to 28/11/2016G)
15	Deterioration of Stock in Cold Storage Policy	Covers loss or damage to inventory preserved in cooled warehouses resulting from unexpected deterioration of refrigerators.	381000022774	28/02/1438H (corresponding to 28/11/2016G)
16	Machinery Breakdown Insurance Policy	Covers unexpected substantial losses or damage incurred by plants or factories, and may cover loss of profit due to machinery breakdowns.	381000022773	28/02/1438H (corresponding to 28/11/2016G)
17	Contractor's All Risks Policy	Covers all substantial damages caused by construction projects.	381000022771	28/02/1438H (corresponding to 28/11/2016G)
18	Professional Liability Insurance Policy	Covers protection against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	-	28/02/1438H (corresponding to 28/11/2016G)
19	Professional Indemnity (Architects and Civil Engineers)	Covers architects against liabilities for which they may be legally held accountable due to any error, act of negligence, or omission that takes place in the course of their work.	381000022769	28/02/1438H (corresponding to 28/11/2016G)
20	Contractor's Plant & Machinery Policy	Covers any unexpected substantial loss or damage to the factory, plant or machines used in building and construction, etc.	381000022773	28/02/1438H (corresponding to 28/11/2016G)
21	Business Interruption Insurance Policy	Covers actual loss of profits incurred due to interruption of business caused by an insured risk.	381000022765	28/02/1438H (corresponding to 28/11/2016G)
22	Property All Risks (Material Damage) Policy	Covers all risks causing substantial losses or damages to insured properties unless the risk causing the damage is excluded from the policy	381000022764	28/02/1438H (corresponding to 28/11/2016G)
23	All Risks Insurance Policy	Comprehensive and complete coverage for industrial units or commercial properties, etc, against all risks (including accidental damage), except for what is specifically excluded by the policy.	381000022776	28/02/1438H (corresponding to 28/11/2016G)
24	Civil Liability Insurance Policy	This policy covers the legal liability that the insured is legally liable for as compensation to third parties for accidental physical injury and covers any loss or damage to property of third parties resulting from performance of the insured party's work, profession, or business.	381000022761	28/02/1438H (corresponding to 28/11/2016G)



No.	Policy Name	Description	Approval #	Final Approval Date
25	Terrorism Policy	Covers the risks of damage caused by terrorist acts.	381000022759	28/02/1438H (corresponding to 28/11/2016G)
26	Group Personal Accident Policy	Covers deaths and injuries suffered by the insured and compensates cases of disability according to a specific compensation limit.	1s/18593	06/04/1433H (corresponding to 28/02/2012G)
27	Personal Accident Policy	Covers deaths and injuries suffered by the insured and compensates cases of disability according to a specific compensation limit.	119/1s/2347	11/01/1433H (corresponding to 06/12/2011G)
28	Money Policy	Covers losses related to money due to seizures or robbery during transport, while inside insured properties or a safe.	2392/1s/58718	24/12/1431H (corresponding to 30/11/2010G)
29	Burglary Insurance Policy	Covers the insured place insured against loss, damage, harm and burglary.	2141/1s/54661	22/11/1431H (corresponding to 30/10/2010G)
30	Life Insurance Policy (individual)	Covers death of the insured for any reason under specific conditions	1s/637	08/03/1433H (corresponding to 31/01/2012G)
31	Land Shipping Insurance Policy (all risks)	Covers goods and commodities transported by trucks against all risks	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
32	Inland Transit Insurance (Road Risks) Policy	Covers goods and commodities shipped by land against certain risks such as fire, collision, and overturning.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
33	Marine Shipping Insurance Policy (one shipment)	Covers goods and commodities shipped by sea, air, and land against any actual accidental damage. A separate document is issued for each shipment.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
34	Marine Cargo Policy (open contract)	Covers goods and commodities shipped by sea, air, and land by a certain means of transportation against any actual accidental damage. Automatically covers every shipment under previously agreed upon conditions.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
35	Marine Hull Insurance Policy	Covers ship, yacht structures and machines against marine risks.	2178/1s/56303	25/11/1431H (corresponding to 02/11/2010G)
36	Fidelity Guarantee Insurance Policy	Covers against fidelity and fraud, theft, or embezzlement committed by insured employees.	2326/1s/57733	16/12/1431H (corresponding to 22/11/2010G)
37	Workmen's Compensation Policy	Covers legal liability pursuant to the Saudi Labor Law to pay compensation and the claimant's expenses for any injuries incurred by any employee that occur during and due to performance of work.	375/1s/70267	25/02/1432H (corresponding to 29/01/2011G)
38	Plate Glass Policy	Covers fixed glass against loss or damage.	2327/1s/57734	16/12/1431H (corresponding to 22/11/2010G)
39	Aviation Hull and Liability All Risks Policy*	Coverage provides everything related to loss or damage to aircrafts.	391000035534	11/07/1439H (corresponding to 28/03/2018G)
40	Directors & Officers Liability Policy	Covers the protection of directors and executives from liability arising from their actions in the conduct of their corporate and organizational functions.	-	13/09/1442H (corresponding to 25/04/2021G)
41	Comprehensive Events Cancellation Policy	Provides insurance coverage against disruption, suspension, postponement or transfer of the covered event for reasons beyond our control.	-	19/10/1442H (corresponding to 31/05/2021G)

Source: The Company

\* This product has 'File and Use Approval'

It is worth noting that the Company obtained the Saudi Central Bank "File and Use Approval" and not the final approval for the Aviation Hull and Liability All Risks product. The approval expired on 31/05/2018G, however, the Company confirmed that this product is not being marketed.

## 10.8 The continuing obligations imposed by government entities on the Company as the “License Issuer”

The below regulatory authorities require the Company to adhere to some material requirements as follows:

### Continuing Obligations According to the Saudi Central Banks’s Requirements:

Article 76 of the Implementing Regulations of the Insurance Companies Control Law states that the Saudi Central Bank has the right to withdraw the license of the Company if:

- a- The Company does not practice its licensed activities for a period of six months from the issuance date of the license;
- b- The Company does not fulfill the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations;
- c- It is established that the Company has deliberately provided the Saudi Central Bank with false information in its licensing application;
- d- It is established that the rights of the insured, beneficiaries, or shareholders could be lost as a result of the way the Company’s conducts its activity;
- e- The Company or the self-employed person becomes bankrupt in a way that makes them incapable of fulfilling their obligations;
- f- The Company or the self-employed person conducts business in a fraudulent manner deliberately;
- g- The capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements mentioned in the Implementing Regulations;
- h- The insurance activity falls to a limit that the Saudi Central Bank deems unviable for the Company to operate under;
- i- The Company refuses or delays payments of dues without just causes;
- j- The Company or self-employed person refuses to have its records examined by the inspection team appointed by the Saudi Central Bank; or
- k- The Company fails to pay a final judgment against it in connection with any insurance dispute.

With respect to Paragraph (b) above, and in accordance with Article 14 of the Cooperative Insurance Companies Control Law and Article 58 of its Implementing Regulations, the Saudi Central Bank requires insurance of reinsurance companies subject to the Law to deposit in a local bank a statutory deposit to the order of the Saudi Central Bank for an amount of 10% of the paid capital. The Saudi Central Bank may raise this percentage to a maximum of 15%. The Company must deposit the statutory deposit amount within 3 months from the date of the license in the bank defined by the Saudi Central Bank at the time, and such deposit shall be invested by the Saudi Central Bank and the revenues thereof shall be retained by the later.

It should be noted that as of 15/02/2022G, the Company’s outstanding claims due to beneficiaries of insurance policies (excluding motors) exceed three hundred five million, eight hundred sixty-five and three hundred forty (305,865,340) Saudi Riyals, which may be considered in violation of the Saudi Central Bank’s laws and implementing regulations, and could be subject to Paragraph (i) above.

As of the date of this Prospectus, the Company is in adherence to the Saudi Central Bank’s laws and implementing regulations.

### Continuing Obligations According to the Ministry of Commerce’s Requirements:

- The Company complies with the Commercial Registration Law with respect to registration with the Commercial Registration Department in Jeddah, where the Company’s headquarters is located, pursuant to Certificate no. 4030200981 dated 01/06/1431H (corresponding to 15/05/2010G) expiring on 01/06/1446H (corresponding to 03/12/2024G).
- Furthermore, the Company complies with the Companies Law with respect to approving the Company’s Bylaws in line with the amendments introduced to the Companies Law, after obtaining the prior approval of the Ministry of Commerce on the draft Bylaws. The Extraordinary General Assembly, on 28/08/1442H (corresponding to 11/04/2021G), approved the updated Bylaws, and the latest amended version of the Company’s Bylaws was approved by the Ministry of Commerce (Companies Governance Department) on 20/11/1442H (corresponding to 30/06/2021G). The Company has adhered to the requirements of CMA and Tadawul with respect to uploading a copy of the Bylaws on the Company’s page on Tadawul website.

- The Company has a trademark registered with the Ministry of Commerce under no. 1436014484 and 1436014483, which will enable the Company to place its name and logo on the front of the building or offices operated by the Company as it has registered the trademark and is granted legal protection according to the Trademarks Law.
- Furthermore, the Company adheres to the Commercial Registration Law with respect to obtaining a certificate of membership in the Chamber of Commerce and Industry under Certificate no. 4030200981 dated 01/06/1431H (corresponding to 15/05/2010G) expiring on 01/06/1446H (corresponding to 02/12/2024G).
- The Company is also committed to completing the procedures of establishing its branches and complies with the Commercial Registration Law with respect to registration with the Commercial Registration Department and obtaining a certificate of membership in the Chamber of Commerce and Industry for each branch. As of the date of this Prospectus, the Company's branches have not obtained certificates of membership in the Chamber of Commerce and Industry.
- As of the date of this Prospectus, the Company has not issued a civil defense license for its main office or any of its branches.
- The Company does not have accumulative losses amounting to 50% of the capital in accordance with Article 150 of the Companies Law.

### Continuing Obligations According to CMA's Requirements:

CMA requires listed companies to adhere to the Rules for Offering Securities and Continuing Obligations and instructions issued by the CMA as well as the Listing Rules, especially with respect to the periodic disclosure of material and financial developments and the Board of Director's reports. Furthermore, CMA requires insurance companies to announce their financial results using templates prepared by CMA which must require clear data on the surplus (deficit) of insurance operations minus the policyholders' return on investment, and the total of subscribed insurance premiums, net incurred claims, net profits (losses) of policyholders' investments, and net profits (losses) of shareholders' investments, and comparing such data with the corresponding quarterly or yearly period. According to the continuing obligations of Listed Companies manual, the yearly financial results announced on Tadawul website must be derived from the audited financial statements approved by the Company's external auditor appointed by the General Assembly and approved by the Board of Directors, and the announcement templates included in the instructions must be used in the Company's announcements of its financial results. Furthermore, the Company must also submit a statement of all the reasons and factors related to the change in the financial results of the current fiscal year along with the comparison period, and the reasons must include all items of the financial results announcement.

With respect to the solvency of public joint-stock companies, on 23/01/1438H (corresponding to 24/10/2016G), CMA issued its resolution no. 1-130-2016 amending the Procedures and Instructions Related to Listed Companies with Accumulated Losses amounting to 50% or more of its Share Capital in light of the new Companies Law, and its name was changed to "**Procedures and Instructions Related to Listed Companies with Accumulated Losses amounting to 20% or more of its Share Capital**". The amended procedures and instructions enter into force on 25/07/1438H (corresponding to 22/04/2017G).

CMA also required listed companies with accumulated losses amounting to 50% or more of its paid-up capital to disclose its plan regarding the application of Article 150 of the Companies Law on Tadawul website before 24/07/1438H (corresponding to 21/04/2017G).

Furthermore, CMA required listed companies to follow the Instructions for the Listed Companies Announcements issued pursuant to CMA Board's Resolution no. 4-8-2017 on 26/04/1438H (corresponding to 24/01/2017G).

As of the date of this Prospectus, the Company has not violated any of the above instructions and it is in compliance with the Capital Market Law and its Implementing Regulations. The Board members confirm that the Company continues to adhere to the requirements of the law, regulations, and instructions of CMA and Saudi Tadawul Group up to the date of this Prospectus, and undertake to continue to do so.

### Continuing Obligations According to the Ministry of Investment's Requirements:

Considering that some foreign, non-Saudi and non-gulf founding shareholders own shares in the Company's capital, the Company has obtained the Investment License no. 112730128101-01 issued by the Ministry of Investment on 26/01/1426H (corresponding to 07/03/2005G) valid until 11/12/1443H (corresponding to 11/07/2022G).

The Ministry of Investment requires licensed companies to adhere to the following instructions: (1) The data of the Commercial Registration must not be different than the data mentioned in the Investment License issued by the CMA; (2) No unlicensed investment or trade activity may be practiced; (3) The Company's branches and shopping centers (i.e. points of sale) must have an investment license; (4) The Company may not stop practicing the investment activity while the license is valid, except due to force majeure acceptable to CMA, and the Company must in this case submit a schedule indicating the date of resuming the activity within 5 days from the force majeure event; (5) It is not permitted to use the name or logo of a global or local trade agency without license or use printouts, stamps, or advertising means in a tradename other than the name licensed by the Authority; (6) The product's specifications and method must be in compliance with the approved Gulf, Saudi, or international specifications; or (7) The Ministry of Commerce must be notified in writing in case of change of address or contact information, or data update.

All companies licensed by the Ministry of Investment must submit a request to amend their license according to any changes in their data, including without limitation decreasing or increasing capital, amending tradename, or opening new branches.

As of the date of this Prospectus, the Company is in compliance with the Ministry of Investment's requirements and the licensing conditions and instructions mentioned above.

### Continuing Obligations According to ZATCA's Requirements:

- Like other registered establishments and companies operating in the Kingdom, the Company is required to submit its Zakat and tax returns within 120 days from the end of the fiscal year for the purpose of renewing the certificate issued by the Zakat, Tax and Customs Authority (ZATCA). The Company was registered as a taxpayer under tax no. 3001896774, and the Company filed its Zakat returns for the fiscal year ended 31 December 2020G, and obtained a Zakat certificate from ZATCA under no. 1110672868 dated 09/09/1442H (corresponding to 21/04/2021G) valid until 29/09/1443H (corresponding to 30/04/2022G).
- The Company is in compliance with the Value Added Tax Law and its Implementing Regulations and is registered with ZATCA under tax no. 300189677400003 pursuant to a certificate issued on 15/05/1440H (corresponding to 21/01/2019G), noting that the Company's registration validity date is 14/04/1439H (corresponding to 01/01/2018G).
- In compliance with the Zakat, Tax and Customs Authority Law, the Company's branches were added to the list of the Taxpayer's (Wataniya Insurance Company) branches.
- The Company filed case no. ZW-2020-13213 with the First Department for the Determination of Income Tax Violations and Disputes in the city of Jeddah against ZATCA objecting on withholding tax assessment for the month of December of 2018G issued by ZATCA with regards to two items. Item 1: ZATCA imposing WHT on foreign entities reinsurance premiums. The Company objects to ZATCA's decision to subject local reinsurance premiums to WHT as the amounts which ZATCA considered subject to WHT are summarized as follows: a. Foreign entities reinsurance premium amounts (SAR 83,433,979); b. Local entities reinsurance premium amounts (reinsurance brokers) (SAR 189,967,521.33). The WHT due on foreign entities reinsurance premium amounts (SAR 88,433,978) was already paid. As for the local entities reinsurance premium amounts, they were transferred to local and not foreign brokerage companies, and therefore are not subject to WHT. Item 2: The Company objected to the late fee and requested its cancellation. The First Department for the Determination of Income Tax Violations and Disputes in the city of Jeddah issued its decision on the Claim and decided to amend ZATCA's actions to calculate 5% WHT on reinsurance premiums amounting to SAR (195,057,978.96) and decided to amend the action regarding the late fee. The Company also submitted an appeal request on 11/10/2021G to the General Secretariat of Tax Committee, and the appeal is still under consideration.
- On 22/03/1443H (corresponding to 28/10/2021G), ZATCA submitted (14) final assessment regarding several periods from December 2018G to October 2020G, claiming a total amount of SAR 17,999,177.14, including an amount of SAR 7,855,702.2 for VAT due, a penalty for late payment of SAR 7,845,716.89 and a fine for error in the declarations of SAR 2,297,158. ZATCA issued the assessment decision based on the view that the compensation amounts for insurance claims recovered on vehicles are subject to VAT. On 23/12/2021G, the Company submitted (14) objections to ZATCA over its evaluation decision for the periods between December 2018G and October 2020G.
- The Company has paid the objected amount of SAR 17,999,177.14 in implementation of the ZATCA requirements, which requires paying the objected amount in advance in order to submit the objection.

### Continuing Obligations According to the Ministry of Human Resources and Social Development Requirements:

A file was opened with the Ministry of Human Resources and Social Development (Labor Office) under Unified Number 143278-9 according to the Saudization Certificate issued therefrom.



As of the date of this Prospectus, the Company is using the Ministry of Human Resources and Social Development's e-services, and a Saudization certificate was obtained to indicate that the Company is in compliance with the required localization percentage according to Nitaqat Program which is 77.87% falling under the Platinum category.

## 10.9 Company's Branches and Points of Sale

Article 5 of the Company's Bylaws stated that the Company may open branches, offices, or agencies inside or outside the Kingdom after obtaining the Saudi Central Bank's approval. According to Article 9 of the Cooperative Insurance Companies Control Law which states that an insurance company must obtain the Saudi Central Bank's written approval before opening branches, the Saudi Central Bank requires insurance companies wishing to open branches to adhere to the statutory procedures related to opening branches for joint-stock companies issued by the Ministry of Commerce. As for points of sale, a municipality license and/or lease agreement is enough if the point of sale's location is in government facilities, hotels, or tourist resorts (e.g., kiosk). As of the date of this Prospectus, the Company has obtained the Saudi Central Bank's final approval to open a number of branches and points of sale as follows:

List of Branches and Points of Sale:

**Table No. (80): Branches, points of sale and commercial registration, and municipal licenses obtained**

#	Company's Branch	Owner's ID	Date of Issuance	Date of Expiry	Municipality License	Date of Expiry
1	Riyadh	1010474145	16/02/1440H (corresponding to 25/10/2018G)	16/02/1445H (corresponding to 01/09/2023G)	0112500753	21/11/1443H (corresponding to 20/06/2022G)
2	Khobar	2051222999	16/02/1440H (corresponding to 25/10/2018G)	16/02/1445H (corresponding to 01/09/2023G)	40082114704	10/08/1443H (corresponding to 13/03/2022G)

Source: The Company

## 10.10 Summary of Material Agreements

When concluding the below contracts and agreements, the Company ensured that all transactions were made a strictly commercial competitiveness basis that guarantees the rights of shareholders, and that such contracts are voted on by the Company's General Assembly without the participation of shareholders who have interests in such contracts. The Company and its Board members reaffirm their adherence to the restrictions of the Companies Law and Corporate Governance Regulations related to transactions with related parties with respect to these contracts.

The Company has many material agreements, below are examples thereof without limitation:

### 10.10.1 Related Parties Contracts and Transactions

The Company states that some of the Board members have direct or indirect transactions with the Company without any preferential treatments, as follows:

**Table No. (81): Related Party transactions between the Company and the Board of Directors as of 31/12/2020G\***

Related Party	Name of Director	Nature of transaction	Amount (SAR thousands)
E.A. Juffali and Brothers	<ul style="list-style-type: none"> <li>Amin Mousa AlAfifi</li> <li>Faisal Mohammed Charara</li> </ul>	Renewal of head office rent in Jeddah	3,846
SNIC Insurance B.S.C	<ul style="list-style-type: none"> <li>Amin Mousa AlAfifi</li> <li>Faisal Mohammed Charara</li> </ul>	Renewal of reinsurance facultative treaty	1,801
Saudi Cement Company	<ul style="list-style-type: none"> <li>Amin Mousa AlAfifi</li> </ul>	Renewal of insurance policies	4,038
E. A. Juffali Information System Company and the Company	<ul style="list-style-type: none"> <li>Amin Mousa AlAfifi</li> <li>Faisal Mohammed Charara</li> </ul>	Renewal of IT maintenance services agreement	1,209
Naghi Group	<ul style="list-style-type: none"> <li>Taher Mohammed AlDabbagh</li> </ul>	Renewal of insurance policies	6,775

Source: The Company

\*The above transactions were approved pursuant to the Extraordinary General Assembly held on 29/08/1442H (corresponding to 11/04/2021G).

In addition to the above contracts, the Company has issued, directly or through brokers, insurance policies to some of the Board members, shareholders, and other related parties of Wataniya shareholders.

The table below shows the currently applicable insurance policies with Board members, shareholders, and other related parties for the year 2021G:

**Table No. (82): Board of Directors and shareholders insurance policies\***

Related Party	Type of Insurance	Insured Amount (SAR)	Premium Amount (SAR)
Amin Mousa AlAfifi	Motor Policy	325,000	12,393.15
Haitham Habib AlBakree	Motor Policy	85,500	4,273.24
Hussein Saeed Akiel	Motor Policy	526,250	16,942.98
Hussein Saeed Akiel	Housing Policy	13,500,000	14,777.5
Haitham Faruk Akhdar	Motor Policy	254,340	7,388.75

Source: The Company

\*The above insurance policies were not presented to the Company's General Assembly for approval.

Wataniya and its shareholders and Board members affirm their adherence to the Companies Law and the Corporate Governance Regulations issued by CMA with respect to all agreements concluded with the above related parties. The General Assembly of Wataniya shareholders for the year 2020G approved the transactions between the Company and any Board members for the period ended 31/12/2020G mentioned above, with the exception of the above-mentioned insurance policies with the Board and shareholders (Table 82) which have not been approved by the General Assembly of Wataniya shareholders yet.

With the exceptions of the above-mentioned contracts and arrangements with related parties, the Company confirms that neither the Directors nor their relatives hold any direct or indirect interest in the Company, and that there are no other contracts concluded with any other related parties, including insurance policies that cover their business and assets.

Such contracts with related parties include the same terms and conditions applicable to the Company's customers without any discrimination between the abovementioned insurance policies and those provided by the Company to its customers. The Company also confirms its compliance with the Insurance Market Code of Conduct Regulations issued by the Saudi Central Bank. Related parties shall be taken to mean "direct relatives, close family members, wives, husbands, children, parents, brothers, sisters, and any establishment in which any member of the Board of Directors has more than 5% interest.

Except as disclosed above, the Company confirms its compliance with the Implementing Regulations, the Companies Law and the Corporate Governance Regulations with respect to transactions with related parties.

### 10.10.2 Service Agreements

Wataniya Insurance Company has entered into a number of agreements to receive services from other entities related to support and consultation, administrative affairs, technology affairs, and others. Below are some examples of such agreements without limitation.

- E.A Juffali and Brothers - Technical Support Section

On 12/01/2015G, Wataniya entered into a service agreement with E.A Juffali and Brothers - Technical Support Section ("Juffali & Bros") under which Wataniya appointed the Technical Support Section at Juffali & Bros to provide support, management, and consultation services to Wataniya with respect to its IT infrastructure.

Juffali & Bros - Technical Support Section obligations under said Agreement are:

- Providing IT services
- Linking the data network and providing support services.
- Providing desktop devices and operating systems.
- Providing office productivity application.

#### **Fees and Payment Terms:**

Wataniya pays to Juffali & Bros - Technical Support Section the cost of equipment, devices, materials, and other entities' services in addition to a 5% service fee. Wataniya also pays to Juffali & Bros - Technical Support Section a monthly fee of SAR 113,600.

This Agreement entered into force on 01/01/2015G for an initial period of two years, renewable for a period of one year each time.

This Agreement is subject to the laws of the Kingdom of Saudi Arabia.

- **Badri Consultancy Company**

On 08/02/2021G, the Company entered into a contract with Badri Consultancy Company under which Badri Consultancy Company provides actuarial consultations to the Company for the fiscal year 2021G. The Contract ends upon the completion of Badri Consultancy Company's task. The Contract is against fees paid according to Badri Consultancy Company's working hours.

This Agreement is subject to the laws of the Kingdom of Saudi Arabia.

- **eBaoTech Corporation**

The Company entered into an end-user licensing agreement and product maintenance agreement on 18/12/2016G under which eBaoTech Corporation provides the right to use eBaoTech General System Suite V4. The Contract is still in force.

- **AMROP**

An agreement for searching for an executive manager was concluded on 16/02/2020G under which AMROP searches for an HR director for the Company. The Contract ends when the search is concluded.

- **Arab Company for Biopharmaceutical Products**

On 02/05/2019G, the Company entered into a bilateral confidentiality agreement related to commercial and technical discussions to cooperate in the area of manufacturing and distributing vaccines, biopharmaceuticals, and plasma products.

- **Shariah Review Bureau**

On 18/07/2013G, Wataniya entered into a Shariah Consulting Service Agreement with the Shariah Review Bureau ("**SRB**"), under which SRB ensures that the Wataniya's activities are Shariah compliant.

The obligations of SRB under this Agreement are as follows:

- to review all product documents submitted to the SRB and the related agreements, and to issue a Fatwa/Shariah Certificate when products and documents are Shariah compliant, according to the overall assessment of SRB;
- to provide routine Shariah consulting services, including services related to Wataniya's activities and operations etc.; and
- to conduct an annual review to ensure Wataniya's activities are Shariah compliant and issue a review report thereof.

#### **Fees and Payment Terms:**

Wataniya pays SRB annual fees of SAR 180,000.

The term of the Agreement is (1) year renewable on a yearly basis, unless either party notifies the other party to the contrary at least one month before the expiry date.

This Agreement is subject to the laws of the Kingdom of Saudi Arabia.

### 10.10.3 Brokers Agreements

Wataniya Insurance Company has entered into a total of 71 brokerage agreements with various entities. The purpose of such agreements is to attract customers, facilitate the sales of the insurance company's products to individuals, companies, and other entities. Insurance brokerages are entitled to a commission according to the percentages stipulated in the Implementing Regulations of Insurance Brokers and Agencies issued by the Saudi Central Bank which are between 2% and 15% according to the insurance branches/products sold. Commissions are calculated on the basis of premiums, and no commission is paid for expenses. The Company may amend the commissions table after notifying the broker in writing at least 30 days in advance.

The following is a summary of the most important terms included in the non-exclusive insurance brokerage agreements, including the obligations of the Company and the broker:

The broker's obligations include, without limitation:

- The broker shall maintain, at its expense, a professional liability policy valid throughout the term of the Agreement with limits not less than SAR 3,000,000 for each incident in accordance with the Implementing Regulations of the Saudi Central Bank, and such policy shall be subscribed with a licensed insurance company acceptable to the Company.
- The broker shall advertise and sell the insurance policies issued by the Company, of all kinds and categories, and shall adhere to the insurance coverage in accordance with the Underwriting Rules and Restrictions and Subscription Prices (Premiums) decided by the Company and the amendments introduced thereto from time to time.
- The broker shall only accept or reject the insurance coverage after obtaining the Company's prior written approval.
- The broker shall notify the Company immediately upon becoming aware of any incident or change that could lead to any risk covered by an insurance policy issued by the Company based on this Agreement, or upon becoming aware of any data concerning any customer that may harm the Company or any circumstance that could lead to a claim against the Company, and shall follow-up on any complaint it receives from its customers with the Company.
- The insurance broker shall represent customers before the Company, including providing sufficient information on products to customers, insurance coverage limits, and coverage exceptions without any kind of temptation or misleading. The broker shall also complete the necessary arrangements with its customers for the Company to carry out inspections and examination of the risks to be covered.

The Company's obligations include, without limitation:

- At the end of each month, the Company shall send a statement of account to the broker indicating the insurance policies sold by the broker and the premiums due on its customers and the commissions payable thereto for each customer separately.
- The Company shall pay commissions to the broker for the net subscriptions or premiums collected by the broker only and paid to the Company for advertising, selling, and customer service.

The Agreement's term shall be one calendar year, renewable automatically for a similar period, unless either Party notifies the other Party of its wish not to renew at least one month before the expiry of the Agreement. The Agreement shall be governed by the laws of Saudi Arabia. In case of a dispute between the Company and the broker regarding any costs and insurance subscriptions, the Parties shall seek to resolve it amicably and act in good faith to resolve the dispute. If the Parties fail to resolve the dispute, the dispute shall be referred to the Committee of Determination of Insurance Disputes and Violations in Saudi Arabia to decide on the dispute.

### 10.10.4 Reinsurance Agreements

Wataniya has entered into a number of reinsurance agreements with reinsurance companies through direct contracting or reinsurance brokers. Under these agreements, the Company assigns all or part of the losses that may arise from the insurance policies it issues to the reinsurance company for an agreed premium, and the Company is compensated for all or part of the losses of issued insurance contracts. Those contracts include various exceptions depending on the reinsured product. The term of most reinsurance agreements is 12 months.



There are several types of reinsurance contracts:

- **Facultative Reinsurance:** An optional case-by-case method of reinsurance. The reinsurer has the option to accept or neglect the offered risks.
- **Treaty Reinsurance:** Occurs when the primary insurers cede insurance of certain risks within certain amounts & percentages to the reinsurer and the reinsurer has agreed to accept reinsurance of the assigned risks. This type includes two main types:
  - **Quota-share Reinsurance:** A proportional type of reinsurance treaty, whereby the insurer is required to cede certain risks within agreed percentages to the reinsurer and the reinsurer has agreed to accept the business.
  - **Excess of Loss Reinsurance:** A non-proportional type of reinsurance treaty whereby the insured is required to cede certain risks within specified amounts in excess of the loss amount, which the insurer has agreed to accept. The reinsurer undertakes to accept the insurance on the assigned risks.

**Table No. (83): Valid and renewed reinsurance agreements**

Reinsurer	Insurance Policy/Type of Coverage	Type of Agreement
Hannover Re	<ul style="list-style-type: none"> <li>• Excess of loss reinsurance of vehicles agreement</li> <li>• Excess of loss reinsurance of motor engines damages agreement</li> <li>• Excess of loss reinsurance of fires, engineering risks, marine shipping, and vehicles agreement</li> </ul>	Treaty
Swiss Re	<ul style="list-style-type: none"> <li>• Engineering risks co-insurance and excess of loss reinsurance agreements</li> <li>• Fire risks co-insurance agreement</li> <li>• Engineering and fire risks excess</li> <li>• Marine risks excess</li> <li>• Accidents co-insurance</li> <li>• Marine shipping co-insurance</li> <li>• Hull marine co-insurance</li> <li>• Personal accidents excess insurance</li> </ul>	Treaty
Munich Re	<ul style="list-style-type: none"> <li>• Quota-share vehicle reinsurance</li> <li>• Liability lines excess of loss reinsurance</li> </ul>	Treaty
XL Re Europe SE	<ul style="list-style-type: none"> <li>• Liability lines excess of loss reinsurance</li> </ul>	Treaty
SCOR SE	<ul style="list-style-type: none"> <li>• Fire risks and engineering risks excess insurance</li> </ul>	Treaty

Source: The Company

### 10.10.5 Insurance Policies retained by the Company

Wataniya retains insurance policies regarding their business and operations: accident insurance, medical insurance, all risks, burglary, electronic equipment, honesty guarantee, fire and thunderbolts, money insurance, and auto insurance. The following is a summary of the details of these insurance arrangements:

**Table No. (84): Summary of insurance arrangements of Wataniya**

Insurance Policy / Name	Parties	Coverage	Coverage Period
All risks	<ul style="list-style-type: none"> <li>• Insurer: Wataniya</li> <li>• Policy holder: Wataniya</li> </ul>	All risks	From 01/01/2022G To 01/01/2023G
Burglary insurance	<ul style="list-style-type: none"> <li>• Insurer: Wataniya</li> <li>• Policy holder: Wataniya</li> </ul>	Burglary or breaking and entering	From 01/01/2022G To 01/01/2023G
Electronic equipment	<ul style="list-style-type: none"> <li>• Insurer: Wataniya</li> <li>• Policy holder: Wataniya</li> </ul>	Various types of electronic equipment	From 01/02/2022G To 31/01/2023G
Breach of trust	<ul style="list-style-type: none"> <li>• Insurer: Wataniya</li> <li>• Policy holder: Wataniya</li> </ul>	Breach of trust by the Company's employees in Khobar, Jeddah, and Riyadh	From 01/01/2022G To 01/01/2023G
Fire and lightning strikes	<ul style="list-style-type: none"> <li>• Insurer: Wataniya</li> <li>• Policy holder: Wataniya</li> </ul>	Fire/lightning strikes, earthquakes, etc.	From 01/01/2022G To 01/01/2023G
Civil liability	<ul style="list-style-type: none"> <li>• Insurer: Wataniya</li> <li>• Policy holder: Wataniya</li> </ul>	Public liability	From 01/01/2022G To 01/01/2023G

Insurance Policy / Name	Parties	Coverage	Coverage Period
Money	<ul style="list-style-type: none"> <li>Insurer: Wataniya</li> <li>Policy holder: Wataniya</li> </ul>	Money deposited in the safe and money in transport	From 01/01/2022G To 01/01/2023G
Vehicles	<ul style="list-style-type: none"> <li>Insurer: Wataniya</li> <li>Policy holder: Wataniya</li> </ul>	Vehicles	From 01/01/2022G To 01/01/2023G
Auto dealer (external risks)	<ul style="list-style-type: none"> <li>Insurer: Wataniya</li> <li>Policy holder: Wataniya</li> </ul>	Auto dealer external risks	From 27/01/2021G To 27/01/2022G
Life insurance (group)	<ul style="list-style-type: none"> <li>Insurer: Wataniya</li> <li>Policy holder: Wataniya</li> </ul>	Death, accidents, disabilities, etc.	From 01/07/2021G To 30/06/2022G
Worker compensation	<ul style="list-style-type: none"> <li>Insurer: Wataniya</li> <li>Policy holder: Wataniya</li> </ul>	Emergency medical expenses	From 01/01/2022G To 01/01/2023G
Cooperative health insurance	<ul style="list-style-type: none"> <li>Insurer: Bupa Arabia for Cooperative Insurance</li> <li>Policy holder: Wataniya</li> </ul>	Compulsory cooperative health insurance	From 01/05/2021G To 30/04/2022G
Managers and executives	<ul style="list-style-type: none"> <li>Insurer: Wataniya</li> <li>Policy holder: Wataniya</li> </ul>	Managers and executives errors	From 01/02/2022G To 31/01/2023G

Source: The Company

### 10.10.6 Lease Agreements

Wataniya does not own any lands or properties registered in its name.

Wataniya, as a tenant, has entered into various leasing contracts for its offices. The following table details such contracts. The terms of these contracts range from one (1) to five (5) years. The rent amount ranges from SAR 10,000 to SAR 1,298,000 per year. These Agreements do not allow assignment or subletting the real property without prior written consent from the lessor

Table No. (85): Summary of rent agreements

Lessor	Location	Annual Rent (SAR)	Lease Term
Ali Aljuffali and Sons of Ahmad Aljuffali Real Estate	<ul style="list-style-type: none"> <li>Head office - Jeddah</li> </ul>	1,298,000	29/02/1435H (corresponding to 01/01/2014G) Until 09/03/1436H (corresponding to 31/12/2014G), automatically renewable
Ali Aljuffali and Sons of Ahmad Aljuffali Real Estate	<ul style="list-style-type: none"> <li>Claim center - Jeddah</li> </ul>	160,000	21/05/1437H (corresponding to 01/03/2016G) Until 11/02/1447H (corresponding to 28/02/2026G), automatically renewable
Alkhurajji Trade and Electronics Establishment	<ul style="list-style-type: none"> <li>Office - Al Khobar</li> </ul>	384,500	01/07/1440H (corresponding to 07/03/2019G) Until 30/06/1441H (corresponding to 24/02/2020G), automatically renewable for one year
Al Umam Center Office	<ul style="list-style-type: none"> <li>Office - Riyadh</li> </ul>	57,522	01/03/1434H (corresponding to 13/01/2013G) Until 29/02/1435H (corresponding to 01/01/2014G), automatically renewable
Al Umam Center Office	<ul style="list-style-type: none"> <li>Office - Riyadh</li> </ul>	181,650	17/07/1432H (corresponding to 19/06/2011G) Until 16/07/1433H (corresponding to 06/06/2012G), automatically renewable
Al Umam Center Office	<ul style="list-style-type: none"> <li>Office - Riyadh</li> </ul>	203,232	17/02/1432H (corresponding to 21/01/2011G) Until 16/02/1433H (corresponding to 10/01/2012G), automatically renewable
Al Umam Center Office	<ul style="list-style-type: none"> <li>Warehouse - Riyadh</li> </ul>	10,000	01/12/1436H (corresponding to 15/09/2015G) Until 29/11/1437H (corresponding to 01/09/2016G)

Source: The Company

### 10.10.7 Trademarks and Property Rights

The Company has a trademark registered with the Ministry of Commerce (Trademarks Department) which will enable the Company to place its name and logo on the front of the building or offices operated by the Company as it has registered the trademark and is granted legal protection according to the Trademarks Law.

In advertising its services, the Company relies on its tradename registered in its Commercial Registration which is reflected in its logo and which supports its business and competitive position and grants it clear excellence in the market between customers.

**Table No. (86): Intellectual Property**

Trademark	Certificate Number	Registered Owner	Registration Date	Validity
	1436014483	Wataniya	13/10/1436H	From 04/07/1436H (corresponding to 23/04/2015G)
	1436014484		(corresponding to 29/07/2015G)	To 03/07/1446H (corresponding to 03/01/2025G)

Source: The Company

The trademark is registered under category (36). The trademark is described as the phrase “**Wataniya Insurance**” in dark blue Arabic and Latin letters with the Latin letter “**W**” next to it in grading blue.

The Company does not have any other registered intellectual property rights, and does not rely in its activity on any intellectual property such as the value of trademarks, patents, copyrights, or any other intellectual property rights.

### 10.11 Disputes and Litigation

In the course of its business, the Company was subject to suits and claims brought by some policyholders with respect to its insurance operations, and legal disputes and claims related to the insurance coverage. As of 15/02/2022G, there are 24 insurance lawsuits against the Company amounting to a total of twenty-three million two thousand and four hundred seventy-nine (23,002,479) Saudi Riyals

The following is a summary of the rest of the existing lawsuits and claims against the Company with respect to insurance disputes:

**Table No. (87): Litigation and claims**

#	Claim Type	Claimant	Amount (SAR)	Status
1	Third Party	Ahmed Mohammed	900	Ongoing
2	Third Party	Wael Aboutaleb	N/A	Ongoing
3	Third Party	Hashim Al Salman	407,000	Judgement in favor of plaintiff
4	Third Party	Ahmed Alanazi	1	Ongoing
5	General Insurance	Mohammed Al Mashhour	37,433	Ongoing
6	General Insurance	Bandar bin Hillel	60,000	Ongoing
7	Third Party	Hanif Al-Haq	240,000	Ongoing
8	Third Party	Khalil Ali	300,000	Judgement in favor of plaintiff
9	Third Party	Ali Al Hajj	300,000	Judgement in favor of plaintiff
10	Third Party	Lafi Al Shimrai and Gharibah Al Shimari	300,000	Ongoing
11	General Insurance	Al Jazira Vehicles Agencies Company	49,978	Ongoing
12	Home Insurance	Musa Jafari	71,500	Ongoing
13	Third Party	Sultan Jafari	25,000	Ongoing
14	Third Party	Ammar Al Mahmoudi	154,550	Ongoing
15	Third Party	Fahad Al Shimari	46,000	Ongoing

#	Claim Type	Claimant	Amount (SAR)	Status
16	Third Party	Hammad Al Shimari	300,000	Judgement in favor of plaintiff
17	Third Party	Fahad Al Shimari	300,000	Judgement in favor of plaintiff
18	Third Party	Fahad Al Shimari	300,000	Judgement in favor of plaintiff
19	Third Party	Fahad Al-Shammari	300,000	Judgement in favor of plaintiff
20	Third Party	Turki Al Hazal	875	Judgement in favor of plaintiff
21	Third Party	Ahmed Mahmoud Eldesouky Ibrahim	225,000	Judgement in favor of plaintiff
22	Third Party	Abdulahdi Alamri	300,000	Judgement in favor of plaintiff
23	Fire Insurance	Dar Mamlkat Alriyada Sponge Factory	18,984,242	Ongoing
24	Third Party	Mohammed ALHumaidi	300,000	Judgement in favor of plaintiff

Source: The Company

The Company is a party to a lawsuit filed by Dar Mamlkat Alriyada Sponge Factory with the First-instance Committee for the Resolution of Insurance Disputes and Violations in Riyadh ("**First-instance Committee**"). Under this lawsuit, Dar Mamlkat Alriyada Sponge Factory requires Wataniya to fully compensate it for the damages resulting from a fire in the factory, estimating the losses at eighteen million and nine hundred and eighty-four thousand and two hundred and forty (18,984,240) Saudi riyals in addition to 10% legal fees.

On 18/12/2019G, the First-instance Committee issued a first-instance judgment for Wataniya and dismissed the case brought by Dar Mamlkat Alriyada Sponge Factory. The Appeals Committee for the Resolution of Insurance Disputes and Violations ("**Appeals Committee**") issued its judgment on 05/04/2020G to revoke the first-instance judgment and return the case to the First-instance Committee for reconsideration.

On 15/02/2021G, the First-instance Committee issued another judgment to dismiss the case. The claimant appealed the decisions before the Appeals Committee, and the appeal is still ongoing.

Save for the disclosures made in this Section, the Company confirms that the above-mentioned cases do not have a material impact on the Company's business and financial situation, and that any losses related to the cases are subject to reinsurance by reinsurers.

## 10.12 Material Changes since CMA approval on the last Rights Issue Prospectus

The following is a summary of the key information that changed since CMA approved the last Rights Issue Prospectus issued on 26/10/1437H (corresponding to 31/07/2016G):

- **Governance:** Internal governance regulations and issues were issued with respect to the Company's governance in line with the Listed Companies Corporate Governance Regulations issued by CMA and the Insurance Corporate Governance Regulations.
- **Bylaws:** The Company's Bylaws were updated in line with the amendments introduced to the new Companies Law, and were approved by the Extraordinary General Assembly on 11/04/2021G and by the Ministry of Commerce (Corporate Governance Department) on 20/11/1442H (corresponding to 30/06/2021G).
- **Use of proceeds of the rights issue on 26/10/1437H (corresponding to 31/07/2016G).**

The table below shows a comparison between the suggested offering proceeds as shown in the prospectus dated 26/10/1437H (corresponding to 31/07/2016G) and the effective use of the proceeds.

Table No. (88): Comparison between suggested and effective use of previous offering proceeds

Description	Suggested Use	Effective Use	Difference between Suggested and Effective	% Deviation from Suggested Use
	(SAR)	(SAR)	(SAR)	%
Total offering proceeds	100,000,000	100,000,000	-	0.0%
Offering expenses *	7,000,000	6,617,190	-382,810	-5.5%
<b>Net offering proceeds</b>	<b>93,000,000</b>	<b>93,382,810</b>	<b>382,810</b>	<b>0.4%</b>

Description	Suggested Use	Effective Use	Difference between Suggested and Effective	% Deviation from Suggested Use
	(SAR)	(SAR)	(SAR)	%
Increase in statutory deposit	10,000,000	10,000,000	-	0.0%
Financial investments **	70,000,000	77,077,890	7,077,890	10.1%
Expenses related to replacement of existing information system ***	10,000,000	6,304,920	-3,695,080	-37.0%
Expenses related to restructuring certain work processes at the Company ****	3,000,000	-	-3,000,000	-100.0%

Source: The Company

\* The deviation is due to the fact that the offering expenses were lower than expected.

\*\* Due to the deviation in replacement of existing information system and restructuring certain work processes at the Company.

\*\*\* The deviation is due to the fact that replacement of existing information system expenses was lower than expected, as such the difference was invested in financial investments.

\*\*\*\* The deviation is due to the fact that replacement of existing information system expenses was lower than expected, as such the difference was invested in financial investments.

### 10.13 Board of Director declarations regarding Legal Information

In addition to the other declarations mentioned in this Prospectus, the Board members declare that:

- a- The Prospectus is not in violation of the relevant laws and regulations in Saudi Arabia.
- b- The Prospectus does not violate any of the contracts or agreements to which the Company is a party.
- c- All material legal information related to the Company were disclosed in the Prospectus.
- d- Save for the content of Section 2 "**Risk Factors**" and Subsection 10.11 "**Disputes and Litigation**" of this Section, the Company is not subject to any suits or legal proceedings that could impact, separately or jointly, its business or financial situation.
- e- The Company's Board members are not subject to suits or legal proceedings that could impact, separately or jointly, the Company's business or financial situation.
- f- The Company remains in compliance with the Saudi Central Bank's requirements as of the date of this Prospectus, and undertake to continue to do so.
- g- The Company remains in compliance with the Ministry of Commerce's requirements as of the date of this Prospectus, and undertake to continue to do so.
- h- The Company remains in compliance with the Ministry of Investment's requirements as of the date of this Prospectus, and undertake to continue to do so.
- i- The Company remains in compliance with the ZATCA's requirements as of the date of this Prospectus, and undertake to continue to do so.
- j- The Company remains in compliance with the Ministry of Human Resources and Social Development's requirements as of the date of this Prospectus, and undertake to continue to do so.
- k- The Company remains in compliance with the Saudi Tadawul Group's requirements as of the date of this Prospectus, and undertake to continue to do so.
- l- The Company does not have any subsidiaries as of the date of this Prospectus.

## 11. Underwriter

### 11.1 Name and address of the Underwriter

The Company has entered into an underwriting agreement with the underwriter Arab National Investment Company. Under this agreement, Arab National Investment Company undertakes to underwrite twenty million (20,000,000) ordinary shares at a price of ten (10) Saudi Riyals per share, representing 100.0% of the Rights Issue shares offered for subscription.

Table No. (89): Underwriter

Underwriter	Quantity of shares underwritten	% of total offering underwritten
Arab National Investment Company	20,000,000	100.00%

Underwriter
<p><b>Arab National Investment Company</b>            King Faisal Street            Arab National Investment Company Building            P.O. Box: 220009 - Riyadh 11311            Kingdom of Saudi Arabia            Tel: +966 11 406 2500            Fax: + 966 11 406 2548            Email: Investment.Banking@anbinvest.com.sa            Website: www.anbinvest.com.sa</p> 

### 11.2 The key terms of the Underwriting Agreement

The terms and conditions set forth in the Underwriting Agreement include the following:

- 1- The Company undertakes to the underwriter that on the Allocation Date, it will issue and allocate to the Underwriter all the rights issue shares that the Underwriter undertakes to cover in this Offering which have not been subscribed to by the Eligible Shareholders at the Offering Price.
- 2- The Underwriter undertakes to the Company that on the Allocation Date, it will purchase all of the underwritten shares in this Offering, which have not been subscribed to by Eligible Shareholders at the Offering Price.
- 3- The Underwriter shall receive specified fee for underwriting, which will be paid for from the Offering Proceeds. It should be noted that the underwriting costs are part of the Offering Expenses.
- 4- The Underwriter is committed to purchase all remaining shares in the Offering, unless he is subject to provisions relating to the termination of the Underwriting Agreement such as the occurrence of any force majeure as defined in the agreement or failure to meet a number of preconditions in connection with the Offering.
- 5- The Company shall provide a number of guarantees, pledges and undertakings - in such agreements - to the underwriter.



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## 12. Waivers

Neither the Company nor the Financial Advisor has submitted a request to the CMA or the Saudi Exchange to be exempted from any of the requirements set forth in the Rules on the Offer of Securities and Continuous Obligations and the Listing Rules.



## 13. Information Concerning the Shares and Terms and Conditions of the Offer

The Company has applied to the CMA for registration and offer of securities and to the Saudi Exchange for listing them. All the requirements have been met under the Rules on the Offer of Securities and Continuous Obligations and the Listing Rules.

All Eligible Persons (i.e. Registered Shareholders and purchasers of the Rights during the Trading Period) and bidding investors of the institutional investors must read the Information Concerning the Shares and Terms and Conditions of the Offer carefully before subscribing online or submitting the Subscription Application through a broker or filling the Rump Offering Form. The submission of the Subscription Application Form, or signing and delivering the Rump Offering Form shall be deemed an approval and acceptance of the terms and conditions mentioned.

### 13.1 Subscription in the New Shares

Pursuant to this Prospectus, twenty million (20,000,000) ordinary shares of the Company's capital will be offered - by way of Rights Issue - representing 100% of the Company's capital before the capital increase, at an Offering Price of ten (10) Saudi Riyals per share and a nominal value of ten (10) Saudi Riyals, with a total offer value of two hundred million (200,000,000) Saudi Riyals. The New Shares will be issued at a ratio of 1 New Shares for each existing share. Subscription in the New Shares will be available only for Eligible Persons.

In case Eligible Persons do not exercise their right to subscribe to the New Shares at the end of the Subscription Period, remaining shares shall be offered to Institutional Investors during the Rump Offering Period.

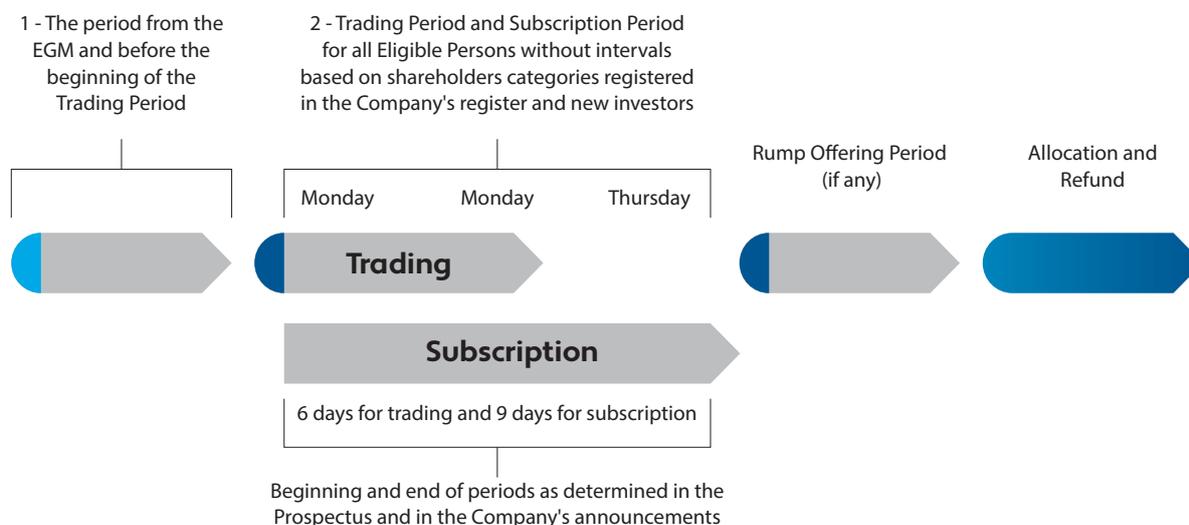
Registered Shareholders shall be able to trade the in the Rights deposited in their portfolios through the Saudi Exchange system. These rights are considered to be an acquired right for all shareholders registered in the Company's register at the Depository Center at the end of the second trading day following the Extraordinary General Meeting approving the Capital Increase (Eligibility Date). Each right grants its holder eligibility to subscribe to one New Share at the Offer Price. The Rights will be deposited within two business days following the Extraordinary General Meeting approving the Capital Increase. The Rights will appear in the Registered Shareholders portfolios under a new symbol designated for the Rights, the Registered Shareholders will then be notified of the deposit of rights in their portfolios.

The Rights Issue will be offered according to the phases and dates set out below:

- **Eligibility Date:** the end of the trading day following the day of the Extraordinary General Assembly approving the Capital Increase on Thursday 13/09/1443H (corresponding to 14/04/2022G).
- **Trading Period and Subscription Period:** the Trading Period and Subscription Period start on Monday 24/09/1443H (corresponding to 25/04/2022G). The Trading Period ends on Monday 08/10/1443H (corresponding to 09/05/2022G) and the Subscription Period lasts up to Thursday 11/10/1443H (corresponding to 12/05/2022G).
- **Rump Offering Period:** commences on Tuesday 16/10/1443H (corresponding to 17/05/2022G) from 10:00 am to 5:00 pm on Wednesday 17/10/1443H (corresponding to 18/05/2022G). During this period, the remaining shares will be offered to a number of Institutional Investors, provided that these institutions offer their bids to buy the Rump Shares during the Rump Offering Period. The Rump Shares will be allocated to the Institutional Investors with the highest bid, then to the lower and the lower (provided that the bid price should equal at least the Offering Price). The shares will be allocated proportionately to the Institutional Investors submitting the same offer. Fractional Shares (if any) will be added to the Rump Shares and treated similarly. In case of non-purchased shares by the Institutional Investors, these shares will be allocated to the Underwriter, who will purchase them at the Offer Price.
- **Final Allocation of Shares:** the shares will be allocated to each investor based on the number of Rights properly and fully exercised. As for shareholders entitled to Fractional Shares (if any), these will be added together and offered to the Institutional Investors during the Rump Offering Period. The total Offering Price of the Rump Shares and Fractional Shares will be paid to the Company, and the remaining proceeds (i.e., in excess of the Offering Price, if any) will be distributed to the beneficiaries, each according to his dues, no later than Sunday 21/10/1443H (corresponding to 22/05/2022G).
- **Trading of the New Shares in the market:** trading of the New Shares will start on the Saudi Exchange upon completion of all procedures relating to the registration and allocation of the New Shares.



**Figure (2): Illustration of the Rights Issue Mechanism**



- EGM day
- Weekends

### 13.2 Eligible Persons not participating in the Subscription of the New Shares

Shareholders who do not participate fully or partially in the Subscription of New Shares will be subject to a decrease in their shareholding percentage in the Company, in addition to a decline in the value of their current shares. Eligible Persons who neither subscribe nor sell their rights, are subject to loss. Eligible Persons who do not participate in the New Shares will not receive any benefits or rewards in return for the Rights Shares due to them other than cash compensation from the proceeds of the Rump Offering shares, each according to his due amount (if any). The Registered Shareholders will retain the same number of shares they held before the capital increase.

If the Institutional Investors wish to buy the Rump Shares at the Offering Price only, or if they do not wish to subscribe to shares, and therefore the Underwriter buys the Rump Shares at the Offering Price, the Eligible Persons who did not participate in the Subscription will not receive any compensation due to not exercising their Rights in the New Shares.

The compensation amount (if any) for Eligible Persons who did not subscribe in the New Shares in whole or in part, and for the persons entitled to fractional shares (if any) will be calculated by dividing the compensation amount by the total number of shares and fractional shares that were not subscribed to by the Eligible Persons. This will determine the compensation payable for each remaining share, and will be paid to the Eligible Persons who did not subscribe in the New Shares in whole or in part, as well as to the persons entitled to fractional shares (if any).

### 13.3 How to apply for Subscription in the Rights Issue

Subscription is permitted using trading platforms through which buying and selling orders are filed, in addition to the possibility of subscribing through any other channel provided by the broker. If there is a Rump Offering Period, Subscription Application Form may be submitted for any shares left by Institutional Investors only.

By submitting the Subscription Application Form, the subscriber declares the following:

- Agreement to his subscription to the Company's shares in the number of such shares specified in the Subscription Application Form.
- He has fully read the Prospectus and all its contents and carefully examined and understood it.
- Agreement to the Company's Bylaws and the terms of the Prospectus.
- Accepting the shares allocated under the Subscription Application Form and accepting all the subscription terms and conditions contained in the Application and in the Prospectus.
- Guarantee that the application is not canceled or modified after it is submitted to the receiving entity.

### 13.4 Allocation and Refund

The Company and the Lead Manager will open an escrow account to deposit the Offering proceeds. The shares will be allocated to each investor based on the number of Rights properly and fully exercised by it. As for shareholders entitled to Fractional Shares (if any), the fractions will be added together and offered to the Institutional Investors during the Rump Offering Period. The total remaining Offering Price will be paid to the Company, and the rest of the proceeds of the sale of the Rump Shares and Fractional Shares (i.e., in excess of the Offering Price, if any) will be distributed to the beneficiaries, each according to his dues, no later than Thursday 03/11/1443H (corresponding to 02/06/2022G). In case unsubscribed shares are remaining, the Underwriter will purchase them, and these shares will be allocated thereto.

The announcement of the final number of shares allocated to each Eligible Person will be issued by the Lead Manager by recording them in the accounts of the subscribers without any commission or deduction. Eligible Persons should contact the broker through which the Subscription Application Form was submitted for additional information. The allocation results will be announced no later than Sunday 21/10/1443H (corresponding to 22/05/2022G).

Compensation (if any) shall be paid to eligible persons who did not participate in whole or in part in the Subscription without any commission or deduction, no later than Thursday 03/11/1443H (corresponding to 02/06/2022G).

### 13.5 FAQs about the Rights Issue Mechanism

#### What is a Rights Issue?

It is a tradable security that gives its holder the right to subscribe for the new shares offered upon the approval of the capital increase. This is an acquired right of all shareholders holding shares at the end of trading on the date of the extraordinary general assembly approving the capital increase and who are registered in the company's shareholders register at the Depository Center at the end of the second trading day after the extraordinary general assembly approving the capital increase. Each right gives the holder eligibility of subscription for one new share, at the offer price.

#### Who is granted the Rights?

All shareholders registered in the company's register at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.

#### When are the Rights deposited?

This will take place within two days from the date of the extraordinary general assembly on the capital increase, and will be listed in the shareholders' portfolios under a new symbol. These rights will only be traded or subscribed to at the beginning of the Trading and Subscription Period.

#### How is the registered shareholder notified of the deposit of Rights in the portfolio?

The registered shareholder shall be notified through the announcements on Tadawul website, as well as through Tadawulaty service provided by the Securities Depository Center and SMS messages sent by brokerage companies.

#### How many Rights will the registered shareholder receive?

The number depends on the subscription eligibility factor and the number of shares held by the registered shareholder according to the shareholders register at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.

#### What is the Eligibility factor?

It is the ratio based on which the registered shareholder can know the number of rights due to him in return for the shares he holds on the date of the extraordinary general assembly. This factor is calculated by dividing the number of new shares by the number of the company's issued shares. Therefore, the eligibility factor is one right for every share owned by the registered shareholder on the eligibility date. Accordingly, if a registered shareholder owns one thousand (1,000) shares on the eligibility date, he will be allocated one thousand (1,000) rights.





### Will the name and trading symbol of the Rights vary from the name and symbol of the Company's shares?

Yes, rights will be deposited in the investors' portfolios under the original name, adding the Rights Issue term as well as a new symbol for these rights.

### What is the value of the Rights at the beginning of trading?

The opening price will be the difference between the closing price of the company's shares on the day prior to the inclusion of the rights and the offering price. For example (using hypothetical prices), if the closing price of the previous day was twenty-four (24) Saudi Riyals and the offering price is ten (10) Saudi Riyals, then the opening price for the Rights at the beginning of trading is seventeen (17) Saudi Riyals.

### Who is a registered shareholder?

Any shareholder owning shares at the end of trading on the day of the extraordinary general assembly approving the capital increase, and registered in the company's shareholders registry at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase.

### Can registered shareholders subscribe to additional shares?

Registered shareholders can subscribe to additional shares through the purchase of new rights during the Trading Period and then subscribing through them during the Subscription Period after the purchase and settlement of the rights.

### Is it possible for shareholders to lose their subscription eligibility even if they have the right to attend the extraordinary general assembly on the capital increase through issuing new shares?

Yes, shareholders will lose their subscription eligibility if they sell their shares on the day of the extraordinary general assembly approving the capital increase or one working day before.

### How is the subscription process implemented?

The subscription process is implemented, as is currently being done, through submitting subscription applications during the Subscription Period through the investment portfolio on the trading platforms through which the purchase and sell orders are filed. In addition to the possibility of subscription through any other means provided by the broker.

### If the company's shares are held by more than one investment portfolio, which portfolio shall be used for depositing rights?

Rights will be deposited in the same portfolio where the company's rights-related shares are deposited. For example, if a shareholder owns (1,000) shares in the company, eight hundred (800) shares in portfolio (A) and two hundred (200) shares in portfolio (B), the total amount of rights to be deposited is (1,000) rights, on the basis that each share has one right, therefore eight hundred (800) rights shall be deposited in portfolio (A) and two hundred (200) rights shall be deposited in portfolio (B).

### Do share certificate holders have the right to subscribe and trade?

Yes, holders of share certificates are allowed to subscribe. However, they will not be able to trade unless share certificates are deposited in investment portfolios through brokers or Depository Center at the Saudi Exchange as well as bringing all required documents, before the end of the Subscription Period.

### If the new shares are subscribed to and the rights are sold, then what happens in this case?

If a registered shareholder subscribed for new shares and then sells the rights without purchasing a number of rights equal to the number of exercised rights he/she subscribed in before the end of the Trading Period, then the subscription application will be rejected entirely, if all the rights have been sold, or partially in an amount equal to the number of sold rights. The registered shareholder will be notified and the value of the rejected subscription will be refunded through the recipient entity.

### Is it permissible for those who bought additional rights to trade them again?

Yes, they are entitled to sell and buy other rights during the Trading Period only.

### Is it possible to sell part of these rights?

Yes, the investor can sell part of these rights and subscribe to the remaining part.

### When can a shareholder subscribe to the rights they purchased during the Trading Period?

At any time during the Subscription Period, i.e. until the ninth day (9), after settlement of the purchase of Rights (two business days).

### Can the holder of rights sell or assign the right after the expiration of the Trading Period?

No, it is not possible. After the expiry of the Trading Period, the eligible person will only be entitled to exercise the right to subscribe to the share capital increase or not exercise it. In the absence of exercising the right, the investor may be vulnerable to loss or decline in the value of his investment portfolio.

### What are the Trading Period and the Subscription Period?

Trading Period and Subscription Period commence on the same day until the end of the Trading on the sixth day, while the Subscription Period continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

### What happens to the rights that have not been sold or exercised during the Subscription Period?

The remaining shares arising from the failure to exercise or sell these rights shall be offered in the Rump Offering Period organized by the Lead Manager according to the criteria specified in this Prospectus.

### Who has the right to attend the extraordinary general assembly and to vote on the capital increase through the Rights Issue Offering?

Shareholders registered in the Company's Register at the Depository Center at the end of the second trading day following the extraordinary general assembly shall have the right to attend the extraordinary general assembly and vote on the capital increase through the rights issue offering.

### When will the share price be adjusted as a result of the capital increase through the rights issue offering?

The share price is adjusted by the market before the start of trading on the day following the extraordinary general assembly.

### If an investor purchases securities on the day of the extraordinary general assembly on the capital increase, is he entitled to obtain the rights resulting from the capital increase?

Yes, as the investor will be registered in the company's shareholders registry two business days from the date of purchasing the shares (that is, at the end of the second trading day following the day of the extraordinary general assembly approving the capital increase), taking into consideration that the rights issue will be granted to all shareholders registered in the company's shareholders registry at the end of the second trading day following the date of the extraordinary general assembly approving the capital increase.

### If an investor has more than one portfolio with more than a brokerage company, how will his rights be calculated?

The investor's share will be distributed to the portfolios owned thereby, according to the percentage of ownership in each portfolio. If there is any fraction, the fractions will be added together and if they came to a whole number, that number is added to the portfolio in which the investor has the largest number Rights.





### Is it possible to subscribe during the weekend?

No, it is not possible.

### Can public investors other than those registered shareholders subscribe to the rights issue shares?

Yes, after completing the purchase of the Rights through the market during the Trading Period.

## 13.6 Trading of New Shares

Trading of the New Shares will start upon completion of all relevant procedures. It is expected to occur after allocation of the New Shares, and the commencement of trading shall be announced at a later date.

## 13.7 Miscellaneous terms

- Subscription Application and all related terms, conditions and undertakings are binding and for the benefit of the applicants, their successors, assignees, will executors, estate managers and heirs, provided that, except for what is specifically stipulated in this Prospectus, the application or any rights, interests or obligations arising out of it shall not be waived or delegated to any of the parties referred to in this Prospectus without obtaining the prior written consent of the other party.
- These instructions, the conditions and any receipt of the Subscription Application or related contracts shall be governed, construed, interpreted and enforced in accordance with the laws of the Kingdom of Saudi Arabia.
- This Prospectus can be distributed in both Arabic and English. In the event of a difference between the two versions, the Arabic prevails.
- In spite of the CMA's approval of this Prospectus, this Offering may be suspended at any time after the CMA's approval of this Prospectus and prior to the acceptance and listing of the shares in the market, if the Company becomes aware that: (i) there has been a material change in the underlying basic information set out in this Prospectus or any documents that are required to be included under the Rules on the Offer of Securities and Continuous Obligations; or (ii) the raising of any additional information that should have been included in this Prospectus. In both of these cases, the Company is committed to submit to the CMA a supplementary Prospectus in accordance with the Rules on the Offer of Securities and Continuous Obligations. The supplementary Prospectus will then be issued and the new subscription dates will be announced. It is also possible to suspend this Offering if the Extraordinary General Assembly does not approve any of the details thereof.

## 13.8 Decisions and Approvals under which the New Shares are offered

- The Company's Board of Directors has recommended on 09/02/1443H (corresponding to 16/09/2021G) to increase the Company's capital by issuing Rights Issue Share amounting to two hundred million (200,000,000) Saudi Riyals, after obtaining the necessary statutory approval and the Extraordinary General Assembly approval.
- The Company received the Saudi Central Bank's non-objection on the capital increase pursuant to letter no. 43028502 dated 01/04/1443H (corresponding to 06/11/2021G).
- The Extraordinary General Assembly approved the Board of Directors recommendation on the capital increase on 12/09/1443H (corresponding to 13/04/2022G). The increase will be limited to Eligible Shareholders registered in the Company's register at the Depository Center at the end of the second trading day following the date of the Extraordinary General Assembly.
- This Prospectus and all supporting documents requested by the CMA have been approved on the date of its announcement on the CMA's website on 05/08/1443H (corresponding to 08/03/2022G).
- The application for listing the New Shares has been approved by the Saudi Exchange on 25/04/1443H (corresponding to 30/11/2021G).

## 13.9 Statement of any existing arrangement to prevent disposal of certain shares

There are no arrangements in place to prevent the disposal of any share.

## 14. Change in Share Price and the Effect on the Shareholders

The closing price of the Company's shares on the day of the Extraordinary General Assembly approving the Capital Increase is SAR 30.95 and is expected to reach SAR 20.48 at the opening of the following day. The change represents a decrease of 33.84%. In case any of the shareholders registered in the Company's shareholders register at the Depository Center fails to subscribe at the end of the second trading day following the date of the Extraordinary General Assembly approving the Capital Increase, this will lead to a decrease in their ownership percentage in the Company.

Method of calculation for the share price of the share capital increase:

### First: Calculation of the closing market value of the Company on the day of the Extraordinary General Assembly approving the Capital Increase:

The number of shares at the end of the Extraordinary General Assembly approving the Capital Increase × The closing price of the Company's share on the day of the Extraordinary General Assembly approving the Capital Increase = The market value of the Company at the close of trading on the day of the Extraordinary General Assembly approving the Capital Increase.

### Second: Calculation of the share price at the opening of trading on the day following the Extraordinary General Assembly approving the Capital Increase:

(The market value of the Company at closing on the day of the Extraordinary General Assembly approving the Capital Increase + the value of the Rights Issue Shares) / (number of shares at the end of the Extraordinary General Assembly approving the Capital Increase + the number of New Shares offered for subscription) = the share price expected in the opening day following the day of Extraordinary General Assembly approving the Capital Increase.





## 15. Rump Offering

In the event that any shares remain unsubscribed for at the end of the Subscription Period (“**Rump Shares**”), those shares will be offered at a minimum of the Offering Price to a number of Institutional Investors (“**Institutional Investors**”) (this offering is referred to as the “**Rump Offering**”), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 am on Tuesday 16/10/1443H (corresponding to 17/05/2022G) until 5:00 pm on Wednesday 17/10/1443H (corresponding to 18/05/2022G), (the “**Rump Offering Period**”). Rump shares will be allocated to the Institutional Investors with the highest bid, then the lowest and the lowest. The shares will be allocated proportionately to the Institutional Investors submitting the same offer.

As for Fractional Shares (if any), they will be added to the Rump Shares and treated similarly. The total Offering Price of the Rump Shares will be paid to the Company and the rest of the proceeds from the sale of those Rump Shares and the Fractional Shares (exceeding the Offering Price, if any) will be distributed to the eligible persons who have not exercised their right to subscribe either in whole or in part, as well as holders of fractional shares (if any), each according to what he may be entitled to no later than 03/11/1443H (corresponding to 02/06/2022G).

The trading in New Shares is expected to start on Tadawul upon completion of all procedures related to the registration and allocation of the New Shares.

The Company has applied to the CMA for registration and offering of the New Shares and to the Saudi Exchange for listing them.

## 16. Subscription Declarations

### 16.1 Overview of the Subscription Application and the Covenants

Subscription can be done through trading platforms or through any other means provided by the broker to the investors. New shares will be subscribed in upon one phase according to the following:

Subscription to the New Shares will be available during the Subscription Period in one phase as follows:

- 1- During this period, all Registered Shareholders and New Investors will be entitled to subscribe to the New Shares.
- 2- Registered Shareholders will be entitled to subscribe directly to the number of their shares or less than the number of their shares during the Subscription Period, and if they acquire New Rights, they will be able to subscribe to them after the end of the settlement period (two business days).
- 3- New Investors will be entitled to subscribe to the New Shares after the end of settlement period (two business days).
- 4- Subscription will be available electronically through the investment portfolios in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other channels and means available at the broker.

Each Right gives its holder the right to subscribe in one New Share at the Offering Price. Subscribers in New Shares acknowledge the following:

- 1- Acceptance of all the terms and conditions stated in this Prospectus.
- 2- They have carefully read this Prospectus and understood its contents.
- 3- Acceptance of the Company's by-laws.
- 4- Commitment not to cancel or amend the subscription application after its admission.

### 16.2 The Allocation Process

The shares will be allocated to each investor based on the number of Rights properly and fully exercised by it. As for shareholders entitled to Fractional Shares (if any), the fractions will be added together and offered to the Institutional Investors during the Rump Offering Period. The total remaining Offering Price will be paid to the Company, and the rest of the proceeds of the sale of the Rump Shares and Fractional Shares (i.e., in excess of the Offering Price, if any) will be distributed to the beneficiaries, each according to his dues, no later than Thursday 03/11/1443H (corresponding to 02/06/2022G). In case unsubscribed shares are remaining, the Underwriter will purchase them, and these shares will be allocated thereto.

Eligible Persons must contact the broker through which the Subscription Application Form was submitted for additional information. The allocation results will be announced no later than Sunday 21/10/1443H (corresponding to 22/05/2022G).

### 16.3 The Saudi Exchange

Tadawul system was established in 2001G as an alternative system to the securities electronic information system. The electronic stock trading started in the Kingdom of Saudi Arabia in 1990G.

The shares are traded on the Tadawul system through an integrated mechanism covering the trading process in an integrated manner from the execution of the transaction to settlement. Trading occurs on each business day (from Sunday to Thursday) for one period from 10:00 am to 3:00 pm, during which the orders are executed. Outside these times, the orders can be submitted, modified and canceled from 9:30 am to 10:00 am. New restrictions and inquiries can be submitted from 9:30 am for the opening session that start at 10:00 am. These times may change during the month of Ramadan and are announced by Tadawul administration.

Tadawul system is based on orders matching according to price. The orders are received and priority is determined based on price. Generally, the market orders are executed first (the orders specifying the best prices), followed by orders that have a restricted price. If multiple orders are entered at the same price, they are executed according to the time of entering them.

Tadawul system distributes a comprehensive range of information through various channels, including Tadawul website and Tadawul electronic trading information link. Market data is provided immediately to well-known information providers such as Reuters.





Transactions are settled within two working days, where the transfer of ownership is effected after the completion of the settlement (i.e. within two business days after the date of execution of the transaction).

The Company must disclose all decisions and information of interest to investors through Tadawul system. Tadawul system is responsible for monitoring the market in order to ensure fair and smooth trading of stocks.

## 16.4 Listing of New Shares

An application has been submitted to the CMA to register and offer the New Shares and to the Saudi Exchange to list them. This Prospectus has been approved and all requirements have been met.

Registration and commencement of trading of the New Shares are expected after completion of the final allocation of the New Shares. This will be announced in due course on the Saudi Exchange website. The dates mentioned in this Prospectus are tentative and may be changed at any time with the approval of the CMA.

Although the existing shares are listed on the Saudi Exchange, the New Shares cannot be traded until they are allocated to eligible subscribers and bidders in respect to the offering of the Rump Shares and their placement in the respective trading accounts. Trading in the New Shares is strictly prohibited before allocation.

The Company does not hold any legal liability concerning subscribers or bidders in the Rump Offering who engage in prohibited trading activities.

## 17. Documents available for inspection

The following documents will be available for review at the Company's headquarters located in Jeddah, Medina Road, Juffali Building, P.O. Box 5832 - Jeddah 21432, Kingdom of Saudi Arabia, during official business hours between eight thirty in the morning (8:30 am) and five thirty in the evening (5:30 pm) fourteen (14) days before the date of the Extraordinary General Assembly and until the end of the Subscription Period.

### Documents related to incorporation and regulations:

- The Company's Commercial Registration certificate
- The Articles of Association of the Company
- The Company's Bylaws

### Approvals related to the Offering

- Board of Directors' recommendation for the capital increase
- Saudi Central Bank's non-objection on the capital increase
- Saudi Exchange conditional approval for the Rights Issue Offering
- CMA approval for the Rights Issue Offering
- EGM resolution on the capital increase\*

### Reports, letters and documents:

- Underwriting and Lead Management agreements
- Written consent from the Financial Advisor, Lead Manager and Underwriter - Arab National Investment Company - to include their names and logos and statements in this Prospectus.
- Written consent from the Legal Advisor - Mohammed M. Zarei & Khaled N. Al Hamdan Law Firm - to include their names and logos and statements in this Prospectus.
- Written consent from the Auditors - Ernst & Young & Company Public Accountant (Professional LLC), PricewaterhouseCoopers Chartered Accountants and El Sayed El Ayouty & Company Certified Accountants - to include their names and logos and statements in this Prospectus and to publish the Auditors reports

\* Company's Extraordinary General Assembly resolution approving capital increase will be available for inspection at the Company's headquarters located in Jeddah on the day following the date of the decision.



