

Rights Issue Prospectus

Salama Cooperative Insurance Company

Salama Cooperative Insurance Company is a Saudi joint stock company incorporated pursuant to Ministry of Investment license No. (870/1) dated 13/09/1426H (corresponding to 15/10/2005G), the Council of Ministers Resolution No. (233) dated 16/09/1427H (corresponding to 09/10/2006G), and the Royal Decree No. (M/60) dated 18/09/1427H (corresponding to 11/10/2006G), and the Ministry of Commerce Resolution No. (112/Q) dated 29/04/1428H (corresponding to 16/05/2007G). The Company operates under Commercial Registration No. (4030169661) issued and registered in Jeddah on 06/05/1428H (corresponding to 23/05/2007G) and the license of the Saudi Central Bank ("SAMA") No. (TMN/4/20079) dated 29/08/1428H (corresponding to 11/09/2007G), to conduct cooperative insurance in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. Offering ten million (10,000,000) ordinary shares at an Offer Price of (10) Saudi Riyals per share through a Rights Issue with a total value of one hundred million (100,000,000) Saudi Riyals, representing an increase of 100% in the Company's current capital, bringing the Company's capital after the Rights Issue to two hundred million (200,000,000) Saudi riyals divided into twenty million (20,000,000) ordinary shares.

Trading Period: Starting from Thursday 25/04/1445H (corresponding to 09/11/2023G) to Thursday 02/05/1445H (corresponding to 16/11/2023G)
Subscription Period: Starting from Thursday 25/04/1445H (corresponding to 09/11/2023G) to Tuesday 07/05/1445H (corresponding to 21/11/2023G)

Salama Cooperative Insurance Company (The "Company" or "Salama") is a Saudi joint stock company incorporated pursuant to Ministry of Commerce Resolution No. (112/K) issued on 29/04/1428H (corresponding to 16/05/2007G), with Commercial Registration No.(4030169661) issued and registered in Jeddah on 06/05/1428H (corresponding to 23/05/2007). The current commercial registration expires on 06/05/1447H (corresponding to 28/10/2025G) and its registered address: Salama Tower, Al Salamah District, Al Madinah Road - Jeddah, Kingdom of Saudi Arabia. 1.

The current Share Capital of the Company is one hundred million (100,000,000) Saudi Riyals divided into ten million (10,000,000) shares, with a nominal value of ten (10) Saudi Riyals per share (referred to separately as "Existing Share" and collectively as "Existing Shares"). As at the date of this prospectus (the "Prospectus"), there are no substantial shareholders in the Company who own 5% or more of the Company shares.

The Board of Directors recommended in its meeting convened on 09/04/1444H (corresponding to 03/11/2022G) to increase the Company's Share Capital through a rights issue with a value of one hundred million (100,000,000) Saudi Riyals (the "Subscription"), after obtaining all the necessary regulatory approvals and the approval of the Company's Extraordinary General Assembly.

On 19/04/1444H (corresponding to 13/11/2022G), the Company submitted a request letter No. (SM/53/2022) to the Saudi Central Bank ("SAMA") to obtain the approval to increase the Company's Capital via Rights Issue. On 26/04/1444H (corresponding to 20/11/2022G), the Company obtained SAMA's no objection for the capital increase pursuant to letter No. (44036229). Moreover, on 07/05/2023G, the Company submitted a request letter No. (SM/81/2023) to SAMA for extending the non-objection regarding the capital increase and received SAMA's approval on 28/10/1444H (corresponding to 18/05/2023G).

On 21/05/1444H (corresponding to 15/12/2022), the Extraordinary General Assembly approved the Company's recommendation to proceed further with the capital increase procedures and obtain the approval of the competent authorities. On Sunday 21/04/1445H (corresponding to 05/11/2023G), the Extraordinary General Assembly approved the increase of the Company's capital via Rights Issue. The offering will consist of ten million (10,000,000) new ordinary shares ("Rights Issue Shares" or "new shares") at an Offer Price of ten (10) Saudi Riyals per share and a nominal value of ten (10) Saudi Riyals per share. This will increase the Company's capital following the subscription from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares, (i.e., an increase of 100% in the Company's current capital).

Rights issues will be issued as tradable securities (collectively referred to as "Rights" and individually as "Right") to the Shareholders who own shares in the company as at the close of trading on the date of which the Extraordinary General Assembly approved the Capital increase and those who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day in which the Extraordinary General Assembly approved the capital increase on 23/04/1444H (corresponding to 07/11/2023G) (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder") and collectively as ("Registered Shareholders"). Such Rights will be deposited in the Registered Shareholders' portfolios as at the close of trading on the second day after convening the Extraordinary General Assembly approving, taking into account the settlement procedures in which one (1) Right shall be placed for each (1) share held in the Company at the Eligibility Date. Each Right grants its holder the right to subscribe to one new share at the Offer Price. Registered Shareholders and other investors (referred to as "New Investors"), who have the rights to trade the Rights and subscribe for new shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange (referred to as "Tadawul") or they may opt to take no action with regard to their shares. The Trading Period and the Subscription Period will start on Thursday 25/04/1445H (corresponding to 09/11/2023G), provided that the Trading Period will end on Thursday 02/05/1445H (corresponding to 16/11/2023G) ("Trading period") while the Subscription will end on Tuesday 07/05/1445H (corresponding to 21/11/2023G) ("Subscription period"). It should be noted that the Trading Period and the Subscription Period will start on the same day, however the Trading Period will end on the sixth day of the start of the period, while the Subscription Period will end on the ninth day of the start of

the same period.

The registered shareholders will be able to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through Tadawul. The new investors also, will be able to buy Rights through the Tadawul and sell the Rights purchased during the Trading Period.

Subscription for the new shares (during the Subscription Period) will be allowed at one phase according to the following:

Registered Shareholders and new investors will be entitled to subscribe for the new shares.

Each Registered Shareholder during the Subscription Period will be allowed to directly subscribe (in whole or in part) for the New Shares pursuant to the number of Rights allocated to them. Each Registered Shareholder who buys additional Rights will be allowed to subscribe for New Shares in respect of such additional Rights upon the cessation of the settlement period (two working days).

The new investors will be entitled to subscribe to the new shares immediately after settlement of the rights purchase process (two working days).

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

In the event that any Shares remain unsubscribed by the end of the Subscription Period ("Rump Shares"), they will be offered to a number of Institutional Investors ("Institutional Investors") (This offering is referred to as "Rump Offering" and the price at which these shares will be offered as "Rump Offering Price"). Such Institutional Investors shall submit their offers for the purchase of the Rump Shares provided that the offer price by any of the Institutional Investors shall not be less than the Offer Price. Receipt of such offers will start at 10:00 AM on Sunday 12/05/1445H (corresponding to 26/11/2023G), until 5:00 PM on Monday 13/05/1445H (corresponding to 27/11/2023G) ("Rump Offering Period"). The Rump Shares will be allocated to the Institutional Investors with the highest bid, then the lowest until all of the Rump Shares are allocated (providing that the bid price shall not be less than Rump Offering Price). The shares shall be allocated to the Institutional Investors providing the same offer proportionally. All proceeds resulting from the sale of the Rump Shares shall be received by the Company provided that the Company shall distribute the difference between the proceeds of the Rump Offering process and the Rump Offering price to the Eligible Persons who have not exercised their right to subscribe in whole or in part without any fees or deductions, no later than Thursday 15/06/1445H (corresponding to 28/12/2023G). In the event that the Institutional Investors have not subscribed for all the Rump Shares, such shares shall be allocated to the Underwriters who will purchase them at the Offer Price (please refer to Section (12) "Information concerning the shares and terms and conditions of the offer".

Results of the final allocation process will be announced no later than Monday 20/05/1445H (corresponding to 04/12/2023G) ("Allotment Date") (Please refer to Section (12) "Information concerning the shares and terms and conditions of the offer").

Upon completion of the Subscription process, the Company's Share Capital will become two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares. The net proceeds from the subscription will be used to support the Company's growth (Please refer to Section (6) "Using the Offering Proceeds"). The Company has only one class of shares and no shares will grant their holders any preferential Rights. The New Shares will be fully paid and have same rights as the existing shares. Each share entitles its holder to one vote and each shareholder ("Shareholder") has the right to attend and vote at the General Assembly Meetings ("General Assembly Meeting") of the Company (whether ordinary or extraordinary). The New Shares shall be entitled to receive any dividends declared by the Company after the issuance date (Please refer to section (2) "Risk Factors").

On 07/05/1428H (corresponding to 23/05/2007), the Company listed four million (4,000,000) ordinary shares in Tadawul at a par value of ten (10) Saudi Riyals per share, after obtaining the required regulatory approvals. The Company has previously increased its capital on 13/09/1436H (corresponding to 30/06/2015G) from one hundred million (100,000,000) Saudi Riyals to two hundred and fifty million

(250,000,000) Saudi Riyals by issuing fifteen million (15,000,000) rights issue shares with a nominal value of ten (10) Saudi Riyals per share. On 07/06/1444H (corresponding to 16/08/2022G), the Company reduced its capital from two hundred and fifty million (250,000,000) Saudi Riyals to one hundred million (100,000,000) Saudi Riyals.

On 05/01/1445H (corresponding to 23/07/2023G), the Company obtained the approval of the Capital Market Authority to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals via Rights Issue with a value of one hundred million (100,000,000) Saudi Riyals. After obtaining all the regulatory approvals, the Company called for the Extraordinary General Assembly to vote on the capital increase. The Extraordinary General Assembly Meeting was held on 21/04/1445H (corresponding to 05/11/2023G), in which the Company's shareholders approved the capital increase.

Currently, the Company's existing Shares are traded in Tadawul. The Company has submitted an application to the Capital Market Authority (The "Authority" or "CMA") in the Kingdom of Saudi Arabia for the registration and offer of the New Shares and another application has been submitted to Tadawul for listing of the New Shares. All the required documents have been submitted to the relevant authorities and all the regulatory requirements have been met. All approvals related to the offering and listing process have been obtained, including this Prospectus. Trading of the New Shares is expected to commence on Tadawul shortly after the final allocation of the New Shares and refund of extra subscriptions (please refer to page (Q) "Key Dates and Subscription Procedures"). Saudi nationals, non-Saudi persons who reside legally in the Kingdom, GCC nationals, Saudi and GCC companies and investment funds, qualified foreign investors authorized under the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued by the CMA as well as foreign strategic Investors in Listed Companies issued by the CMA will be permitted to trade in the Shares. Furthermore, other categories of foreign investors are entitled to the economic benefits associated with the New Shares by concluding swap agreements with persons authorized (hereinafter referred to as "Authorized Persons") by CMA, noting that the Capital Market Institution shall in such case be the registered legal owner of such New Shares.

This Prospectus must be read in full and the "Important Notice" page (C) and Section (2) "Risk Factors" of this Prospectus must be reviewed carefully prior to making any investment decision regarding the New Shares and Rights.

**Financial Advisor, Lead
Manager and Underwriter**



Additional-Lead Manager



This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority" or "CMA") and the application for listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange Company. The Directors, whose names appear on this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange Company 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 was issued on 22/04/1445H (corresponding to 06/11/2023G)

Salama

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Important notice

This Prospectus (the “Prospectus”) provides full details relating to Salama Insurance Cooperative Company and the Rights Issue Shares offered for subscription. When submitting the application to subscribe for the new shares, investors will be treated as applying on the basis of the information contained in this Prospectus, a copy of which can be obtained from the Company’s and the Lead Managers’ headquarters or by visiting the websites of the Company (www.salama.com.sa), the Financial Adviser and the Lead Manager (www.alawwalcapital.com), the Additional-Lead Manager (www.nefaie.com) and the Capital Market Authority (www.cma.org.sa).

This Prospectus shall be published and made available to the public within a period not less than (14) days prior to the date of the Extraordinary General Meeting relating to the capital increase. In the event that the Extraordinary General Meeting does not approve the capital increase within six (6) months from the date of the CMA’s approval on registering and offer the Rights, the CMA approval shall become void.

The Company has appointed (Alawwal Capital) as a financial advisor (“Financial Advisor”), lead manager (“Lead Manager”) and underwriter (“Underwriter”) and (“Alnefaie Investment Group”) as an additional- lead manager (“Additional-Lead Manager”) for the New Shares to be offered pursuant to this Prospectus.

The Prospectus contains information provided in compliance with the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to its Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G) as amended by the Capital Market Authority Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G). The Members of the board of directors, whose names appear on this Prospectus (Page F), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Exchange (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly 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, a substantial portions of the information herein are derived from external sources, and while none of the Company, its managers, its directors, Financial Advisor, or the Company’s advisors, whose names appear on pages (F), (H) and (I) of this Prospectus (the “Advisors”) 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 financial position of the Company and the value of the Offered Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic and political factors, or other factors over which the Company has no control (please refer to Section (2) “Risk factors” in this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as a promise or representation of the Company’s future earnings, results or events.

This Prospectus shall not be considered as a recommendation by the Company, its directors, or any of its advisors to participate in the subscription process for Rights Issue Shares. The information contained in the Prospectus is of a general nature and has been prepared without considering individual investment objectives, financial position or investment needs of the individuals wishing to subscribe for the Rights. Each recipient of the Prospectus, before making an investment decision, is responsible for obtaining independent professional advice from a financial advisor licensed by the CMA regarding the subscription to assess the suitability of this investment opportunity and the information contained in the Prospectus with respect to his goals, financial situation and needs.

The registered shareholders and other public investors (“New Investors”), who have the right to trade the Rights and subscribe for the New Shares may trade in the Rights and subscribe for the New Shares on the Saudi Stock Exchange (“Tadawul” or “Exchange”) during the Trading Period and the Subscription Period which will both start on Thursday 25/04/1445H (corresponding to 09/11/2023G). The Trading Period will end on the 6th day on

Thursday 02/05/1445H (corresponding to 16/11/2023G) (“Trading Period”), while the Subscription Period will continue until the end of 9th day on Tuesday 07/05/1445H (corresponding to 21/11/2023G) (“Subscription Period”).

The registered shareholders will be able to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through Tadawul. Also, the new investors during the Trading Period will be able to buy Rights through the Tadawul and sell the Rights that bought during the trading period or subscribe for them during the Subscription Period.

Subscription to New Shares during the Subscription Period will be allowed at one phase according to the following:

- Registered Shareholders and new investors may subscribe for the new shares.
- Registered Shareholders may, during the Subscription Period, directly subscribe (in whole or part) for the new shares pursuant to the number of Rights allocated to them, each Registered Shareholder who buys additional Rights, will be allowed to subscribe for them in respect of such additional Rights upon the cessation of the settlement period (two working days).
- New investors who purchase Rights during the Trading Period may subscribe for the New Shares after the settlement of the transaction related to the purchase of the Rights (two working days).
- Subscription will be available electronically through the investment portfolio in the trading platforms and applications of Tadawul through which sale and purchase orders are entered, in addition to subscription through other channels and means available at the agent.

In the event that any Shares remain unsubscribed for by the end of the Subscription Period (the “Rump Shares”), then such shares will be offered to a number of institutional investors (“Institutional Investors”) (this offering is referred to as “Rump Offering”).

Such Institutional Investors shall submit their offers to purchase Rump Shares, and such offers will be received from 10:00 AM on Sunday 12/05/1445H (corresponding to 26/11/2023G), until 05:00 PM of the following day on Monday 13/05/1445H (corresponding to 27/11/2023G) (“Rump Offering Period”). The Rump Shares will be allocated to the Institutional Investors in order of priority based on the price per Share offered (provided that it shall not be less than the Offer Price), with Shares being allocated on a pro rata basis among those Institutional Investors that provided offers at the same price.

All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company provided that the Company shall distribute the difference between the proceeds of the Rump Offering process and the Rump Offering price to the Eligible Persons who have not exercised their right to subscribe in whole or in part without calculating any fees or deductions, no later than Thursday 15/06/1445H (corresponding to 28/12/2023G). In the event that the institutional investors have not subscribed to all the Rump Shares, such shares shall be allocated to the Underwriters who will purchase them at the Offer Price (please refer to Section (10) “Underwriting Agreement” and Section (12) “Information concerning the shares and terms and conditions of the Offer”).

The Offered Rights under this Prospectus depend on the Shareholders’ approval. The Rights Issue was approved at the Company’s Extraordinary General Assembly on Sunday 21/04/1445H (corresponding to 05/11/2023G).

The quorum for convening of the Extraordinary General Assembly requires the presence of shareholders representing at least half (50%) of the capital. If this quorum is not available at the meeting, either: (1) the second meeting shall be held an hour after the end of the period specified for convening the first meeting, provided that the invitation for the first meeting includes an indication of the possibility of holding this meeting; or (2) an invitation to the second meeting of the EGM shall be announced and published in a daily newspaper distributed in the city in which the head office of the Company is located at least ten (10) days prior to the date set for the meeting. The invitation should include the meeting agenda. It may be sufficient to send the invitation on the aforementioned date to all shareholders by registered letters only. If the necessary quorum is not present in the second meeting, an invitation is sent to a third meeting to be held on the same conditions mentioned above. The third meeting shall be valid regardless of the number of shares represented therein after approval of the competent authority. Recipients of this Prospectus must also be aware of and abide by all legal and regulatory restrictions related to this Offering and the sale of new shares.

Financial Information

Financial statements for the years ended on December 31, 2020, were audited by Dr. Mohamed Al-Amri & Co and Al-Azm, Al-Sudairy, Al-Sheikh and Partners, Certified Public Accountants. While the financial statements for the years ends 2021 and 2022 were audited by Albassam and Partners, Al-Azm, Al-Sudairy, Al-Sheikh and Partners, Certified Public Accountants. The Company's financial statements for the years ended 2020G, 2021G and 2022G and the accompanying notes have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The Company issues its financial statements in Saudi Arabian Riyals (SAR). Some of the financial and statistical information contained in this Prospectus has been subjected to rounding adjustments. Therefore, total figures in certain tables may not equal the addition of the individual items.

Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of specific and announced assumptions. The Company's future conditions may differ from the assumptions used, and no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company affirms that professional due diligence was considered in the statements included herein.

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

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary Prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware that: (1) There has been a significant change in any material information contained in this Prospectus; or (2) any additional significant matters have become known which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and the risks, assumptions and other uncertainties, the forecasts of future events and conditions set out in this prospectus may not occur as expected by the Company or may not occur at all. Accordingly, potential investors should examine all future statements in the light of these interpretations and not rely primarily on these forward-looking statements.

Company Directory

Board of Directors appointed on 15/02/1444H (corresponding to 11/09/2022G) *													
#	Name	Nationality	Type of Membership	Age	Position	Type of Membership	Membership Capacity	Representation	Direct ownership		Indirect ownership		
									No. of shares	% of Direct Ownership	No. of shares	% of Indirect Ownership	
1	Mountasar Mohammed Foudah**	Saudi	Independent	48	Chairman of the Board	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
2	Adnan Jameel Khoja**	Saudi	Non-Executive	62	Deputy Chairman	Non-Executive	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
3	Bader Khalid Alanzi	Saudi	Executive	44	Member	Executive	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
4	Khaled Mohammed Salem Bajnaid	Saudi	Independent	53	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
5	Abdullah Adel Sultan	Saudi	Independent	37	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
6	Mohammed Taha Alsafi	Saudi	Independent	55	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
7	Wael Abdulrahman Albassam	Saudi	Independent	47	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	

Source: The Company

*The Company's Ordinary General Assembly approved, in the meeting held on 15/02/1444H (corresponding to 11/09/2022G), to elect the members of the Board of Directors for the current term starting on 15/02/1444H (corresponding to 11/09/2022G) for a period of three years ending on 18/03/1447H (corresponding to 10/09/2025G).

**The Company's Board of Directors decided on 17/02/1444H (corresponding to 13/09/2022G) to appoint Mr. Mountasar Mohammed Foudah as Chairman of the Board of Directors, and to appoint Mr. Adnan Jameel Khoja, as Deputy Chairman of the Board of Directors. The Company obtained SAMA's no-objection on 28/03/1444H (corresponding to 24/10/2022G).

The Company complies with the Companies Law and the Governance Regulations issued by CMA Board and the Insurance Companies Governance Regulations issued by SAMA with respect to the constitution of the Board of Directors, whereas the Company Articles of Association stipulates that the number of board members shall be seven members elected by the Ordinary General Assembly for a period not exceeding three years . The Company Governance Regulations also shows that the Company complies with Article (16) of the Governance Regulations which obligates listed companies that the majority of board members shall be non-executive members and that the number of its independent members shall not be less than two or members comprise one-third of board members (whichever is more). Accordingly, the Company complies with Clause (54) of the Insurance Companies Governance Regulations. Currently, there are five independent members on the Board of Directors of Salama Cooperative Insurance Company out of seven members.

Company's Address and Representatives

Company Address	
<p>Salama Cooperative Insurance Company Jeddah, Salama Tower, Madinah Road, Al Salama District P.O. Box 7864 Postal Code 23525 Kingdom of Saudi Arabia Phone: +966126845889 Fax: +966126970470 Email: info@salama.com.sa Website: www.salama.com.sa</p>	
	
Company Authorized Representative (1)	Company Authorized Representative (2)
<p>Mountasar Mohammed Foudah Board Member Jeddah, Al Murjan District Phone: +966126845653 Fax: +966126970470 Email: m.foudah@yahoo.com Website: www.salama.com.sa</p>	<p>Bader Khalid Alanzi Executive Director Jeddah, Salama Tower, Madinah Road, Al Salama District Phone: +966126845777 Fax: +966126970470 Email: Bader.Alanzi@Salama.com.sa Website: www.salama.com.sa</p>
Stock Market	
<p>Saudi Tadawul Group (Tadawul) Unit No. 15, King Fahad Road, Al Olaya, Riyadh P.O. Box 6897 Riyadh 12211 - 3388 Saudi Arabia Phone: +96611920001919 Fax: +966112189133 Website: www.saudiexchange.sa Email: info@tadawul.com</p>	
	

Advisors

Financial Advisor, Lead Manager and Underwriter	
<p>Alawwal Capital Company Jeddah, Bin Hamran Commercial Center, Second Floor, Prince Mohammed Bin Abdulaziz Street P.O. Box 51536 Postal Code 21553 Kingdom of Saudi Arabia Tel number: +966 12 2842321 Fax number: +966 12 2840335 Email: info@alawwalcapital.com Website: www.alawwalcapital.com</p>	
Additional-Lead Manager	
<p>Alnefaie investment group Jeddah, Bin Hamran Commercial Center, 7th Floor, Prince Mohammed Bin Abdulaziz Street P.O. Box 17381 Postal Code 21484 Kingdom of Saudi Arabia Tel number: +966 12 6655071 Fax number: +966 12 6655723 Email: csu@nefaie.com Website: www.nefaie.com</p>	
Legal Advisor	
<p>Mohammed M. Zarei & Khalid N. Al Hamdan Law Firm (ZH Partners) Jeddah, Jameel Square, Seventh Floor, Prince Mohammed Bin Abdulaziz Street P.O. Box 15496 Postal Code 21444 Saudi Arabia Tel: +966 12 2122 996 Fax: +966 12 664 3810 Email: info@zh-partners.com Website: www.zh-partners.com</p>	
Company's Auditors for the year ended December 31, 2020G	
<p>Al-Azm, Al-Sudairy, Al-Sheikh & Partners Chartered Accountants & Auditors Riyadh, Prince Mohammed Bin Abdulaziz Street, Unit No. 11 P.O. Box 10504 Riyadh 11443 Kingdom of Saudi Arabia Tel: +966 11 484 5000 Fax: +966 11 217 6000 website: www.crowe.com.sa Email: info@crowe.sa</p>	
<p>Dr. Mohamed Al-Amri & Co. Jeddah, Madinah Road P.O. Box 784 Jeddah 21421 Kingdom of Saudi Arabia Tel: +966 12 283 0112 Fax: +966 12 661 2788 Website: www.bdoalamri.com Email: info@alamri.com</p>	

Company's Auditors for the years ended December 31, 2021G and 2022G

Al-Azm, Al-Sudairy, Al-Sheikh & Partners Chartered Accountants & Auditors

Riyadh, Prince Mohammed Bin Abdulaziz Street, Unit No. 11

P.O. Box 10504 Riyadh 11443 Kingdom of Saudi Arabia

Tel: +966 11 484 5000

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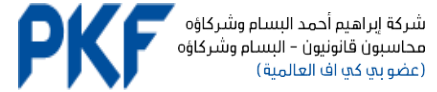
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Note: All of the above-mentioned Advisors/auditors have provided their written consent to include their names, logos and statements attributed to them as set out in this Prospectus; and none of them have withdrawn its consent as of the date of this Prospectus.

Summary of the Offering

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. Therefore, this summary does not contain all the information that may be of interest to shareholders and other general institutional and individual investors. Therefore, prospective investors willing to subscribe for the offered shares shall read this Prospectus in full prior to making an investment regarding the Offered Shares, in particular the "Important Notice" Section, and Section (2) "Risk Factors" of this Prospectus:

Issuer name, Description and Incorporation Information	<p>Salama Cooperative Insurance Company ("the Company" or "Salama") was incorporated as a Saudi joint stock company under the license of the Ministry of Investment No. (1/870) dated 13/09/1426H (corresponding to 15/10/2005G), the Council of Ministers Resolution No. (233) dated 16/09/1427H (corresponding to 09/10/2006G), the Royal Decree No. (M/60) dated 18/09/1427H (corresponding to 11/10/2006G), and under the Commercial Registration No. (4030169661) on 06/05/1428H (corresponding to 23/05/2007G) issued and registered in Jeddah, and the license of the Saudi Central Bank (SAMA) No. (TMN/4/20079) dated 29/08/1428H (corresponding to 11/09/2007G).</p>																																								
Company Activities	<p>The Company's activity, as in its commercial register, is general insurance and health insurance.</p> <p>The Company's activity, as in its Articles of Association, is to conduct cooperative insurance at the general insurance and health insurance branch. The Company may undertake all the work required to achieve its purposes in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations, the provisions of the Saudi Central Bank ("SAMA") and the regulations and rules in force in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.</p>																																								
Founding Shareholders	<table border="1" data-bbox="488 974 1409 1472"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Direct ownership upon incorporation</th> </tr> <tr> <th>Ownership (%)</th> <th>No. of shares</th> </tr> </thead> <tbody> <tr> <td>Islamic Arab Insurance Company (AEIC)</td> <td>30.0%</td> <td>600,000</td> </tr> <tr> <td>Bin Dawood Markets Company</td> <td>5.0%</td> <td>100,000</td> </tr> <tr> <td>Joint Workers Company</td> <td>5.0%</td> <td>100,000</td> </tr> <tr> <td>Al Shaer Group Company</td> <td>5.0%</td> <td>100,000</td> </tr> <tr> <td>United Developers Company</td> <td>4.0%</td> <td>80,000</td> </tr> <tr> <td>Al Malaz Group Company</td> <td>3.0%</td> <td>60,000</td> </tr> <tr> <td>Dr. Saleh Jameel Malaika</td> <td>2.0%</td> <td>40,000</td> </tr> <tr> <td>Mr. Rashid Abdullah Al Suwaikit</td> <td>2.0%</td> <td>40,000</td> </tr> <tr> <td>Mr. Ayman Ismail Abu Dawood</td> <td>2.0%</td> <td>40,000</td> </tr> <tr> <td>Mr. Hussain Hassan Bayari</td> <td>2.0%</td> <td>40,000</td> </tr> <tr> <td>Total</td> <td>60%</td> <td>1,200,000</td> </tr> </tbody> </table> <p>Source: The Company</p>			Shareholder	Direct ownership upon incorporation		Ownership (%)	No. of shares	Islamic Arab Insurance Company (AEIC)	30.0%	600,000	Bin Dawood Markets Company	5.0%	100,000	Joint Workers Company	5.0%	100,000	Al Shaer Group Company	5.0%	100,000	United Developers Company	4.0%	80,000	Al Malaz Group Company	3.0%	60,000	Dr. Saleh Jameel Malaika	2.0%	40,000	Mr. Rashid Abdullah Al Suwaikit	2.0%	40,000	Mr. Ayman Ismail Abu Dawood	2.0%	40,000	Mr. Hussain Hassan Bayari	2.0%	40,000	Total	60%	1,200,000
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Substantial Shareholders	<p>Shareholders who own (5%) or more of the Company's shares. As of the date of this prospectus, the Company has no substantial (major) shareholders.</p>																																								
Purpose Beyond the Rights Issue	<p>The Company intends to increase its capital via a Rights Issue to support the business growth and to comply with the minimum solvency margin requirements for the Company. This will be achieved through using of subscription proceeds in financial investments, the development of existing products, and the introduction of new products in addition to the payment of subscription expenses (for more details, please refer to Section (6) "Using the Offering Proceeds").</p>																																								
Total Proceeds Expected to be Raised and Detailed Breakdown and Description	<p>The Total proceeds of the offering are expected to be one hundred million (100,000,000) Saudi Riyals, and the net Offering Proceeds after deducting all the costs of the offering will be used mainly to support the business growth and maintain the solvency margin requirements imposed by the Central Bank.</p>																																								

of the Proposed Use of the Proceeds

Shareholders will not receive any of the Offering proceeds. The following table show the details of the proposed use of the Offering proceeds:

Statement	Amount (SAR)	% of total offering proceeds
Total offering proceeds	100,000,000	100%
Estimated offering expenses	11,300,000	11.3%
Net Offering Proceeds	88,700,000	88.7%

Source: The Company

The following table shows details of the proposed use of the Offering proceeds in financial investments:

Statement	Amount (SAR)	Percentage of net Offering Proceeds used in financial investments
Bank deposits	58,700,000	66.2%
Low -risk bonds and sukuk	30,000,000	33.8%
Total financial investments	88,700,000	100%

Source: The Company

Total proceeds obtained from the previous rights issue

The total Offering Proceeds of the previous Rights Issue, which took place in accordance with the resolution of the Extraordinary General Assembly dated 13/09/1428H (corresponding to 30/06/2015G), amounted to one hundred and fifty million (150,000,000) Saudi Riyals.

Following are the details of the use of the Offering Proceeds as stated in the Rights Issue Prospectus:

Item	Amount (SAR)
Total Offering Proceeds	150,000,000
Estimated offering expenses	8,000,000
Net Offering Proceeds	142,000,000
Statutory Deposit	15,000,000
Investments	127,000,000

Source: Rights Issue Prospectus, 2015.

Following are the details of the actual uses of the Offering Proceeds, difference between the expected and actual use, and the percentage of deviations from the expected offering proceeds:

Item	Value of the Expected use of proceeds (SAR)	Value of the Actual use of proceeds (SAR)	Difference between expected and actual use of proceeds (SAR)	Deviation percentage from estimated use of Offering Proceeds
Total Offering Proceeds	150,000,000	150,000,000	-	-
Estimated Offering Expenses*	8,000,000	7,080,757	919,243	11.5%
Statutory Deposit	15,000,000	15,000,000	-	-
Investments in Sukuk	31,700,000	-	31,700,000	100%

Investments in Stocks	19,100,000	-	19,100,000	100%
Investments in local				
Murabaha funds in the short term	76,200,000	127,919,243	51,719,243	67.9%

Source: Rights Issue Prospectus, 2015.

The reasons and justifications for deviations in the actual use of proceeds from what was previously disclosed in the Company's Rights Issue Prospectus 2015 are as follows:

1. The actual subscription expenses for the capital increase were estimated at SAR (7,080,757), a difference less than expected by SAR (919,243), where the estimated cost was SAR (8,000,000) million as stated in the prospectus. This difference is due to the fact that the actual amounts were lower than the initial estimates.
2. The actual short-term investment expenses amounted to (127,919,243) Saudi Riyals, an increase of (51,715,243) Saudi Riyals, where the estimated amount of these investments was (76,200,000) Saudi Riyals, and this difference is due to the following reasons:
 - The surplus of subscription expenses for the capital increase amounting (919,243) Saudi Riyals was invested.
 - The Company invested none of the previously estimated amounts in the item of investments in stocks and investments in sukuk, which is estimated at (50,800,000) Saudi Riyals and they were actually invested in short-term investments.

Any information required under Annex (12) to the Rules on the Offer of Securities and Continuing Obligations if it has changed materially since the approval of the last prospectus	The CMA approved the publication of the Company's latest prospectus on 02/08/1436H (corresponding to 20/05/2015G). Please refer to Subsection 9.14 "Material information that has changed since the Capital Market Authority has approved the last prospectus" of Section 9 "Legal Information" for the material information that the Company believes to have changed since then.
Nature of Offering	Capital increase through Rights Issue.
Company's capital prior to the Offering	One hundred million (100,000,000) Saudi Riyals
Total number of Existing issued Shares prior to the Offering	Ten million (10,000,000) ordinary shares, fully paid
Nominal Value	Ten (10) Saudi Riyals per share
Total Number of Offer ed Shares	Ten million (10,000,000) ordinary shares
The Percentage of Offered Shares to the Capital of the Issuer	(100%)
Offer Price	SAR 10 per share
Total Offering value	One hundred million (100,000,000) Saudi Riyals
Number of Offer Shares Underwritten	Ten million (10,000,000) ordinary shares

Total Value of Shares Underwritten	One hundred million (100,000,000) Saudi Riyals
Total Number of Shares Post Offering	Twenty million (20,000,000) ordinary shares
Company's Capital post Offering	Two hundred million (200,000,000) Saudi Riyals
Types of Targeted Investors	Registered Shareholders and New Investors
Method of Allocation and Excess Refund for each category of targeted investors	<p>New Shares will be allocated to the Eligible Persons based on the number of Rights they have fully and correctly exercised. The Rump Shares will be allocated to Institutional Investors based on the price per Share offered (provided that it shall not be less than the Offer Price) with Shares being allocated on a pro rata basis among those being the Institutional Investors that provided offers at the same price. Fractional Shares will be accumulated and be subject to the same treatment.</p> <p>The Company shall receive the proceeds of the sale of the Rump Shares and Fractional Shares up to the Offer Price. The proceeds in excess of the Offer Price (if any) shall be distributed to Eligible Persons who did not take action during the Trading and Subscription Periods (to subscribe for New Shares or sell the Rights), as well as to the holders of the Fractional Shares (please refer to the Section (12) "Information concerning the shares and terms and conditions of the offer" in this Prospectus.</p> <p>The surplus will be refunded (If any) to the subscribers without any commissions or deductions from the Lead Manager and the Additional-Lead Manager.</p>
Registered Shareholders	Shareholders who own Shares in the Company at the end of trading on the day in which 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 following the Extraordinary General Assembly relating the capital increase on 21/04/1445H (corresponding to 05/11/2023G).
New Investors	The individual and institutional investors (other than Registered Shareholders) who purchased the Rights during the Trading Period.
Rights	Tradable securities that give its holders the right to subscribe for new shares upon approval of the capital increase. These securities become an acquired right granted to all registered Shareholders and may be traded within the trading period. Each Right entitles its holder to subscribe to one share of the new shares at the Offer Price. The Rights will be deposited within two working days after the Extraordinary General Assembly relating to the capital increase. The rights will appear in the registered shareholders' accounts under a new symbol that designates these Rights.
Adjusted price	<p>The Adjusted Price of the Company's share is calculated as follows:</p> <p>(The market value of the Company at the end of day on which the Extraordinary General Assembly approves the capital increase + the value of the offered shares) / (the number of shares at the end of the day on which the Extraordinary General Assembly approves the capital increase + the number of shares offered for subscription).</p> <p>Therefore, the Company's share price in Saudi Tadawul (Tadawul) has been modified to SAR (21.12) per share at the end of trading in which the Extraordinary General Assembly approving the capital increase. This represents a decrease in the share price by (11.13) Saudi Riyals per share.</p>
Offering Expenses	The Company shall bear all the Offering related expenses, which are expected to be eleven million three hundred thousand (11,300,000) Saudi Riyals. Such costs will be deducted from the total Offering proceeds which amount to one hundred million (100,000,000) Saudi Riyals. The Offering Expenses include the fees of: Financial Advisor, Lead Manager, Additional- Lead Manager, Legal Advisor, Underwriter, advertising and printing, and other related expenses. Please note that all these expenses are estimated and not final. For further information please refer to Section (6) "Using the Offering Proceeds".

New Shares	Ten million (10,000,000) ordinary shares will be issued as a result of the capital increase.
Eligibility Factor	(Each Registered Shareholder is granted one (1) Rights for each Current Share held him/her on the Eligibility Date. This ratio is the result of dividing the number of New Shares by the number of the Company's Current Shares.
Eligibility Date	Is the date at which the EGM voting on the Company's capital increase 21/04/1445H (corresponding to 05/11/2023G).
Trading Period	The Subscription Period starts on Thursday 25/04/1445H (corresponding to 09/11/2023G) and continues until the end of Thursday 02/05/1445H (corresponding to 16/11/2023G). During this period, all holders of Rights, whether registered or new investors, may trade the Rights.
Subscription Period	The Trading Period starts on Thursday 25/04/1445H (corresponding to 09/11/2023G) and will continue until the end of Tuesday 07/05/1445H (corresponding to 21/11/2023G). During this period, all holders of Rights, whether they are Registered or New Investors, may trade the Rights.
Rump Shares	Remaining shares (if any) that have not been subscribed to during the Subscription Period.
Rump Offering	Rump Shares will be offered to a number of institutional investors ("Investment Institutions"). The Institutional Investors shall submit their bids to buy the Rump Shares and such bids shall be received from 10:00 AM on Sunday 12/05/1445H (corresponding to 26/11/2023G) to 05:00 PM on Monday 13/05/1445H (corresponding to 27/11/2023G). Rump Shares will be allocated to the Institutional Investors with the highest bids first to the lowest (provided that the bids shall not be less than the Offer Price). The shares shall be allocated on a pro rata basis to Institutional Investors that offer the same price.
Total Proceeds of Rump Offering	The amount resulting from the sale of Rump Shares.
Eligible Persons	All Rights holders, whether they are Registered Shareholders or New Investors who purchased Rights during the Trading Period.
Payment of Compensation Amounts (if any)	Cash compensation amounts (if any) will be paid to Eligible Persons who haven't exercised their right to subscribe for the New Shares (wholly or partially) or sell the Rights, no later than Thursday 15/06/1445H (corresponding to 28/12/2023G). (For more information: please refer to Section (12) "Information concerning the shares and terms and conditions of the offer"). The compensation amounts represent the difference between the Rump Offering proceeds and Rump Offer price.
Indicative Value of the Right	The indicative value of the right reflects the difference between the market value of the Company's share during the trading period and the Offer Price. Tadawul will calculate and publish the Right's Indicative Value during the Trading Period on its website with a five-minute delay. The market information service providers will also publish this information, so the investors can be informed with the indicative value of the Rights when entering the orders.
Right Trading Price	The price at which the Right is traded. This price is set through the market offer and bid mechanism; therefore, it may differ from the Indicative Value of the Right.
Allocation Date	Shares will be allocated no later than Monday 20/05/1445H (corresponding to 04/12/2023G).
Date of the excess refund from the subscription	Excess monies from the subscription (if any) will be refunded to the subscribers without any commissions or deductions from the Lead Manager and Additional-Lead Manager no later than Thursday 15/06/1445H (corresponding to 28/12/2023G).
Allocation of the New Shares	New Shares will be allocated to the Eligible Persons based on the number of Rights they have fully and correctly exercised. Fractional shares (if any) will be added to the Rump Shares then offered to Institutional Investors during the Rump offering period. The Rump Shares (if any) will be allocated to the institutional investors with the highest offer then the lowest. The Company will receive the total amount of the offering resulting from the sale of the Rump Shares, while the remaining proceeds of the offering (if any) will be distributed without any charges or deductions (i.e.,

	<p>exceeding the Offer Price) to the Eligible Persons who did not take action during the Trading and Subscription Periods (to subscribe for New Shares or sell the Rights), as well as to the holders of the Fractional Shares (please refer to Section (12) "Information concerning the shares and terms and conditions of the offer").</p> <p>The surplus will be refunded (If any) to the subscribers without any commissions or deductions by the Lead manager and the Additional- Lead Manager.</p>
Trading in the New Shares	Trading in the New Shares shall commence on Tadawul upon the completion of all procedures relating to the registration, allocation and listing of the New Shares.
Restrictions on new shares resulting from the capital increase	There are no restrictions imposed on all shareholders including the founding shareholders after the subscription resulting from the capital increase.
Dividends Eligibility of the New Shares	The New Shares will be entitled to any dividends declared by the Company after the issuance date of the New Shares.
Voting Rights	The Company shall have one class of Shares and no shareholder has any preferential rights. Each of the Shares entitles its holder to one vote. Cumulative vote must be used to elect the Board of Directors. Each Shareholder may attend and vote at the General Assembly Meeting by means of modern technology, in accordance with the regulations set by the competent authority.
Restrictions to trading in the shares	The Company was established pursuant to the License of the Ministry of Investment No. (01/870) dated 13/09/1426H (corresponding to 15/10/2005G), the Ministerial Resolution No. (233) dated 16/09/1427H (corresponding to 09/10/2006G) and Royal Decree No. (M/60) dated 18/09/1427H (corresponding to 11/10/2006G) and listed on Tadawul on 06/05/1428H (corresponding to 23/05/2007G). Therefore, except for the lock-up period applicable to the Founding Shareholders and the general regulatory restrictions on trading of listed shares, all of the Shares are listed on Tadawul and are not subject to any restrictions that limit trading thereof. However, the Founding Shareholders must obtain SAMA and CMA's approval before disposing of their shares.
Restrictions on trading in the rights	There are no restrictions on trading in the Rights by the Shareholders, except for the regulatory restrictions on trading the publicly listed shares.
Previously listed shares	<ul style="list-style-type: none"> On 07/05/1428H (corresponding to 23/05/2007G), the Company listed ten million (10,000,000) ordinary shares on Tadawul and offered four million (4,000,000) shares of them for public subscription. On 13/09/1436H (corresponding to 30/06/2015G), the Extraordinary General Assembly approved the increase of the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred and fifty million (250,000,000) Saudi Riyals through Rights Issue.
Risk Factors	There are certain risks relating to investing in the Rights or New Shares, which can be classified into: (1) Risks related to the Company's business and operations; (2) Risks related to the market and the sector; and (3) Risks related to the new shares. (Please refer to Section 2 "Risk Factors" of this Prospectus).
Conditions of subscription to Rights	Eligible Persons who interested in subscribe for the New Shares shall fulfill the relevant subscription conditions. The company reserves the right to reject any subscription application for the offered shares (in whole or in part) that does not comply with the terms and requirements of the subscription. For more information, please refer to Section (12) "Information concerning shares and terms and conditions of the offer" of this Prospectus.

Note: The "Important Notice" and Section (2) "Risk Factors" of this Prospectus should be considered carefully prior to making any investment decision regarding the Rights or New Shares.

Key dates and subscription procedures

Expected timeline for the Offering

Events	Dates
EGM approving the capital increase and setting the Eligibility Date and Eligible Shareholders.	On Sunday 21/04/1445H (corresponding to 05/11/2023G)
Trading Period	The Trading Period will start on Thursday 25/04/1445H (corresponding to 09/11/2023G) and continues until the end of Thursday 02/05/1445H (corresponding to 16/11/2023G). During this period, all Rights holders whether they are Registered or New Investors, may trade the Rights.
Subscription Period	The Subscription Period will start on Thursday 25/04/1445H (corresponding to 09/11/2023G) until the end of Tuesday 07/05/1445H (corresponding to 21/11/2023G). During this period, all the Rights holders, whether they are Registered Shareholders or New Investors, may exercise their rights by subscribing to the New Shares.
End of Subscription Period	On Tuesday 07/05/1445H (corresponding to 21/11/2023G).
Rump Offering Period	The Rump Offering Period will start on 10:00 AM of Sunday 12/05/1445H (corresponding to 26/11/2023G) until 5:00 PM on Monday 13/05/1445H (corresponding to 27/11/2023G).
Final Allocation Notification	On Monday 20/05/1445H (corresponding to 04/12/2023G).
Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Subscription entirely or partially	Compensation amounts (if any) will be paid no later than Thursday 15/06/1445H (corresponding to 28/12/2023G).
Commencement of trading the New Shares	The shares offered for subscription will be traded upon completion of all relevant regulatory procedures. The date will be announced later on the Tadawul website (www.saudiexchange.sa).

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

Key announcement dates

Announcement	Announcing Party	Dates
Announcement of the invitation for the EGM for approving the capital increase.	The Company	On Sunday 30/03/1445H (corresponding to 15/10/2023G)
Announcement of the EGM results for approving the capital increase.	The Company	On Monday 22/04/1445H (corresponding to 06/11/2023G)
Announcement regarding the change in the Company's share price, Rights' deposit and the Indicative Value of the Right	Tadawul	On Monday 22/04/1445H (corresponding to 06/11/2023G)
Announcement of the determination of the Trading Period and Subscription Period	The Company	On Monday 22/04/1445H (corresponding to 06/11/2023G)
Announcement regarding the deposit of Rights.	Depository Center	On Tuesday 23/04/1445H (corresponding to 07/11/2023G)

A reminder announcement regarding the start of the Trading Period and the Subscription Period	The Company	On Wednesday 24/04/1445H (corresponding to 08/11/2023G)
Reminder announcement of the last day for trading rights and the importance of selling rights for those who do not wish to subscribe	Tadawul	On Wednesday 01/05/1445H (corresponding to 15/11/2023G)
Announcing the end of the Subscription Period	The Company	On Monday 06/05/1445H (corresponding to 20/11/2023G)
Announcement regarding: <ul style="list-style-type: none"> Subscription results Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering period 	The Company	On Wednesday 08/05/1445H (corresponding to 22/11/2023G)
Announcement regarding the results of the Rump Offering and notification of the final allocation	The Company	On Thursday 16/05/1445H (corresponding to 30/11/2023G)
Announcement regarding the deposit of New Shares in the investors' portfolios*	Depository Center	On Monday 20/05/1445H (corresponding to 04/12/2023G)
Announcement regarding the distribution of the compensation amounts (if any) for Eligible Persons	The Company	On Thursday 15/06/1445H (corresponding to 28/12/2023G)

Note: All the dates mentioned in the timeline above are indicative, and the actual dates will be announced on the website of the Saudi Stock Exchange ("Tadawul") (www.saudiexchange.sa).

** Please note that the period between the end of the subscription for Rights Issue and the deposit of shares in the shareholders' portfolios is 9 business days.

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

- Name of the Issuer and its commercial registration number.
- The securities, value, type, and class covered by the securities registration and offering application.
- The addresses and places where the public can obtain the Prospectus.
- The date of publishing the Prospectus.
- A statement that the announcement is for information only and does not constitute an invitation or offer to acquire securities by purchasing or subscribing to them.
- Names of the Lead Manager, Additional- Lead Manager, Underwriter, Financial Advisor, and Legal Advisor.
- A disclaimer in the following form: "CMA and 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".

How to apply for subscription

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

Subscription applications shall be submitted through the trading platforms in which buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the brokers to the investors. The Eligible Person must have an investment account with one of the brokers that provide these services.

The data of the Eligible Person must be up-to-date, and that no changes have occurred to the data or information of the Eligible Person (by deleting or adding a member of his family) since his subscription to a newly launched offering, unless such modifications have been notified to the broker and approved by them.

The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Offering terms or requirements. The subscription application may not be amended or withdrawn after submission, noting that it shall, if submitted, be binding upon the Company and the Eligible (Please refer to Section (12) "Information concerning the shares and terms and conditions of the offer".

FAQs about the Rights Issue

What is a Rights Issue?

Rights are tradable securities that give their holders the right to subscribe for the new shares offered upon approval of the capital increase by the Extraordinary General Assembly. These securities become an acquired rights or all Shareholders who are registered in the Company's shareholder register maintained with Depository Center at the end of the second day following the Extraordinary General Assembly meeting relating the to capital increase. Each Right shall grant its holder eligibility to subscribe for one New Share at the Offer Price.

To whom Rights are granted?

Rights are granted to all registered shareholders in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly relating the capital increase.

When are the Rights deposited?

Following the EGM 's approves the capital increase through a Rights Issue. The Rights shall be deposited as securities in the portfolios of the Company's Shareholders Registered at the Depository Center by the end of the second trading day following the EGM. The Rights will be shown in their portfolios under a new code for the Rights. These Rights cannot be traded or subscribed for by the Registered Shareholders until the start of the Trading and Subscription Period.

How the Registered Shareholders will be notified of the deposit of Rights in their portfolios?

Registered investors are notified through an announcement on Tadawul's website, the Tadawul service provided by the Securities Depository Center, and SMS messages sent by brokerage companies.

How many Rights will be granted to each Registered Shareholder?

The number of rights that will be granted to each Registered Shareholder will depend on his/her ownership percentage in the share capital of the Company as per the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly relating the capital increase.

What is the Rights Issue eligibility factor?

It is the ratio that enables the Registered Shareholder to know how many Rights he/she entitled to in relation to the current shares that he/she already owned at the end of date of the Extraordinary General Assembly meeting relating to the capital increase. This factor is calculated by dividing the number of new shares by the number of the current Company's shares. For example, if a company's current shares are ten million (10,000,000) shares and the Company will raise its capital by offering ten million (10,000,000) new shares (which makes its total shares twenty million (20,000,000)), then the Rights Issue Eligibility Factor will be 1 to 1 (one right for each share).

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

Yes, the acquired Rights will be deposited into the investors' portfolios under the name of the original share, with the addition of the words "Rights" and a new symbol for these rights.

What is the Right value upon commencement of trading?

The Right opening price is the difference between the share closing price on the day preceding the Right listing, and the Offer Price (indicative value of the Right). For example, (using hypothetical prices), if the closing price of a share on the preceding day is twenty-five Saudi Riyals (SAR 25) and the offering price is ten Saudi Riyals (SAR 10), then the opening price of the rights issue at the beginning of the trading will be fifteen Saudi Riyals (SAR 15).

Who is the Registered Shareholder?

Any Shareholder whose name appears in the Company's Shareholders' Register at the end of the second trading day after the EGM.

Can Registered Shareholders subscribe for additional shares?

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

Is it possible for a Registered Shareholder to lose his eligibility to subscribe even if he/she has the right to attend the Extraordinary General Assembly meeting and vote for increasing the capital through a Rights Issue?

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

How does the subscription take place?

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

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

An eligible person cannot subscribe for more shares than the rights owned by him/her.

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

The Rights will be deposited in the same portfolio where the Company's shares related to the Rights are deposited. For example, if a shareholder owns one thousand (1,000) shares in the Company (eight hundred (800) shares in portfolio "A" and two hundred (200) shares in portfolio "B", then total number of Rights to be deposited are one thousand (1,000) rights (assuming a ratio of one right for each share). Thus, eight hundred (800) rights will be deposited in portfolio "A" and two hundred (200) rights will be deposited in portfolio "B".

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

The new shares will be deposited in the investment portfolio set out in the first subscription application.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their share certificates in e-portfolios through the receiving agents or Depository Center Company and as well as submitting the requested documents prior the end of the Subscription Period.

If New Shares are subscribed to and the Rights are sold after that, what happens in this case?

If a Registered Shareholder submits an application to subscribe for the New Shares but then sells all of its Rights and did not purchase Rights equal to the number of New Shares that were subscribed for before the end of the Trading Period, the subscription application will be rejected altogether. If the Registered Shareholder sold part of its Rights, the subscription application will be rejected in part proportionately to the Rights that have been sold by the Registered Shareholder. The Registered Shareholder will be notified thereof and the amount relative to the rejected subscription will be reimbursed to the Registered Shareholder through the relevant bank.

If the investor bought additional Rights, may they trade them again?

Yes, they may sell and buy additional Rights during the Trading Period only.

Is it possible to sell a part of these Rights?

Yes, an investor may sell a portion of the Rights and subscribe for the remaining portion.

When can a shareholder subscribe to the Right that she/he purchased during the trading period?

After the settlement of the rights purchase (i.e., two working days), provided that the subscription for the Rights takes a place during the Subscription Period.

Can the holder of the Rights sell or assign them after the end of the trading period?

No, that is not possible. After the end of the trading period, the holders of the rights may only exercise their right to subscribe for the rights (or choose not to subscribe) for new shares pursuant to his/her Rights. If such rights are not exercised, the relevant investor may be subject to a loss or a reduction in the value of his/her investment portfolio.

What are Trading and Subscription periods?

Trading in and Subscription to the Rights shall commence at the same time. The trading period continues for six days, whereas the Subscription Period continues for nine days, as mentioned in this prospectus and in the Company's announcements.

What will happen to Rights that are not sold or exercised during the Trading Period and the Subscription Period?

If the new shares are not fully subscribed for during the Subscription Period, the remaining new shares will be offered for subscription to a number of Institutional Investors through the Lead Manager and the Additional- Lead Manager. The compensation amounts (if any) shall be paid to the Rights owner, after the deduction of the Offer Price. The investor may not receive compensation if the Rump Shares are sold during the Rump Offering Period at the Offering Price.

Who has the right to attend the Extraordinary General Assembly and vote for increase the Issuer's Capital through a Rights issue?

Shareholders who are registered in the company's shareholder register at the Depository Center, at the end of the trading session on the day of the Extraordinary General Assembly relating the capital increase, can attend and vote on the issuer's capital increase by offering rights issue shares.

When will the share price be adjusted due to the increase of the issuer's capital through a Rights Issue?

The share price shall be adjusted by Tadawul before the start of trading on the day following the Extraordinary General Assembly which approved the Capital Increase.

If an investor buys shares on the Extraordinary General Assembly Day, will such an investor be eligible for the Rights issue resulting from the issuer's capital increase?

Yes, as the investor will be registered in the Company's shareholders register two business days from the shares purchase (i.e., at the end of the second trading day following the Extraordinary General Assembly meeting), noting that the rights issue will be granted to all shareholders registered in the Company's shareholders register at the end of the trading session on the second trading day following the Extraordinary General Assembly meeting approving the capital increase . However, the investor may not attend or vote during the Extraordinary General Assembly regarding the capital increase.

Will any other fees be included in the Rights trading transaction?

Transactions involving the sale and purchase of Rights will be subject to the same commissions that apply to shares, but there will be no minimum for the commission amount, provided that the maximum amount does not exceed fifteen and a half basis points (0.155%) of the total transaction amount.

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

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

Is it possible to subscribe during the weekend?

No, that is not possible.

Can investors who are non-registered shareholders on the day of the EGM subscribe for the Rights?

Non-registered Shareholders can subscribe for the Rights after purchase of Rights during the period specified for trading.

Summary of Key Information

Note:

This summary provides a brief overview of the key information included in this Prospectus. As a summary, it does not include all information that may be of interest to shareholders and other general institutional and individual investors. The recipients of this Prospectus must read it in full before making any investment decision related to the new shares offered. All terms and abbreviated expressions contained in this Prospectus have been defined in Section (1) "Terms and Definitions", in this Prospectus.

Company Overview

Salama Cooperative Insurance Company "Salama" (hereinafter referred to as the "Company" or "Salama") is a Saudi joint stock company incorporated under the Ministry of Investment's license No. (1/870) dated 13/09/1426H (corresponding to 15/10/2005G), the Council of Ministers Resolution No. (233) dated 16/09/1427H corresponding to (09/10/2006G), and the Royal Decree No. (M/60) dated 18/09/1427H corresponding to (11/10/2006G). The Company operates under the Commercial Registration No. (4030169661) issued and registered in Jeddah on 06/05/1428H (corresponding to 23/05/2007G), and the Company's registered address is: Jeddah, Almadinah Road, Salama Tower, P. O. Box 7864 Jeddah 23525, Kingdom of Saudi Arabia.

The Company obtained approval of the Saudi Central Bank ("SAMA") No. (TMN/4/20079) dated 29/08/1428H (corresponding to 11/09/2007G), to practice the insurance activity in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations.

The history of the Company in fact dates back to 1979G with the registration of Islamic Arab Insurance Company (Salama) in UAE. Salama Cooperative Insurance Company is a pioneer in offering solutions of Shariah Compliant Insurance and is one of the first cooperative insurance companies licensed under the Cooperative Insurance Regulations. The Company is well-known for the quality of service and the security it provides to its valued customers.

The Company exercises general insurance and health insurance in the Kingdom of Saudi Arabia in accordance with the principle of cooperative insurance. Its insurance products include motor insurance, marine insurance, engineering insurance, general accident and liability insurance, fire insurance, property insurance and health insurance.

Dates of capital changes

The Company's capital is one hundred million (100,000,000) Saudi Riyals divided into ten million (10,000,000) ordinary shares with a nominal value of ten (10) Riyals per share, fully paid. The Founding Shareholders have subscribed to six million (6,000,000) shares, constituting (60%) of the total shares of the Company, and have paid their value in full. The remaining four million (4,000,000) shares, which constitute (40%) of the Company's Shares were offered for public subscription under the laws and regulations of the Saudi Capital Market Authority during the period from 27/02/1428H (corresponding to 17/03/2007G) to 07/03/1428H (corresponding to 26/03/2014G) at a subscription price of ten (10) Saudi Riyals per share. On 07/05/1428H (corresponding to 23/05/2007G), the Company was listed in the Saudi Stock Exchange "Tadawul".

On 14/08/1435H (corresponding to 12/06/2014G), the Company's Board of Directors recommended, in its resolution, to increase the Company's capital to comply with the requirements of financial solvency, as the Company obtained the approval of the Saudi Central Bank ("SAMA") under letter No. (351000147528) dated 01/12/1435H (corresponding to 25/09/2014G) to increase its capital by an amount of one hundred and fifty million (150,000,000) Saudi Riyals through a Right Issue. After the end of subscription, the Company's capital became two hundred and fifty million (250,000,000) Saudi Riyals, divided into twenty-five million (25,000,000) ordinary share with a nominal value of one share is ten (10) Saudi Riyals.

On 18/01/1444H (corresponding to 16/08/2022G), the Extraordinary General Assembly agreed to reduce the capital from two hundred and fifty million (250,000,000) Saudi Riyals to one hundred million (100,000,000) Saudi Riyals, with a reduction rate of (60%). As well, the Board of Directors recommended increasing the Company's capital via priority rights issues to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to three hundred million (300,000,000) Saudi Riyals, with an increase rate of 200%.

On 09/04/1444H (corresponding to 03/11/2022G), the Board of Directors recommendation to increase the Company's capital through a Rights Issue was amended to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals, an increase of 100%.

Vision

To be the leading provider of innovative and customized insurance solutions backed by strong financial and human resources.

Mission Statement

The Company seeks to meet insurance needs for individuals and businesses to assist them in managing their daily risks, compensate them for unforeseen incidents and assist them in reaching their expectations by establishing long-term relationships enabling the Company to understand, and act proactively to meet clients' needs, offer high quality insurance solutions, and high level services that meet their needs and exceed their expectations.

Mission

To achieve a global leadership in cooperative insurance industry in terms of Shareholders equity and Market Share.

Values

- Honest relations and trustworthy management.
- Dynamic, disciplined, and outstanding performance.
- Faithfulness in business and strive in achieving success.
- Teamwork and mutual respect.

Substantial Shareholders

As at the date of this prospectus, there are no substantial shareholders in the Company who own 5% or more of its shares.

Business Strategy

Salama's goal is to be a leader as a provider of Shari'a compliant Takaful insurance products in the Kingdom of Saudi Arabia by providing high quality services at competitive prices. The Company offers a number of insurance products designed to meet the needs of its individual and corporate customers. The Company intends to build on the strengths, knowledge, experience and managerial competence of its founding members. Salama's objectives stem from its primary focus on customer satisfaction, operational effectiveness, employees, and profitability. The Company's policy aims to:

1. Targeting different customer segments to design and deliver distinct and high-quality products and services at competitive prices, tailored to meet the needs of each segment.
2. Providing the Company's customers with high-quality services and processing claims with the maximum possible efficiency and speed.

3. Establishing, strengthening and maintaining outstanding customer relationships through a high-level customer relationship management (CRM) system and the full-scale use of information technology to build and establish high standards of service. Our customer loyalty is reflected in high customer retention rates and their frequent transactions with the Company.
4. Work and coordinate closely with our distribution channels partners to understand the different customer needs. We work with these partners to design insurance solutions fitting the requirements of our corporate and individual customers.

Strengths and competitive advantages of the Company

The Company has the following advantages over its competitors:

1. Administrative staff with high experience in the insurance market in the Kingdom.
2. Robust IT infrastructure that meets the Company's long-term operational needs
3. Multiple distribution channels including brokers, agents and sales professionals
4. Reinsurance agreements with internationally renowned reinsurance companies.
5. Benefit from the establishment of mandatory insurance lines by regulators and insurance activity for the large retail sector in the Saudi market.

The Company's Key Insurance Activities

The Company has been licensed to engage in cooperative insurance business and related activities. The Company's key activities include the following:

- General insurance
- Health insurance

As at January 15, 2023G, the Company has obtained the final approval from the Saudi Central Bank ("SAMA") which includes products ID in accordance with the regulations for certification of insurance products to market and sell 31 different insurance policies divided into 6 sectors: property insurance, engineering insurance, accident and liability insurance, marine insurance, motor insurance, and other general insurance subsections.

Source: The Company

Overview of the insurance sector in the Kingdom of Saudi Arabia

Key developments in the Saudi insurance sector:

- The insurance sector had an estimated growth of 8.4% during 2021, with total written premiums reaching 42 billion Saudi Riyals. Protection, Savings and Property Insurance sector also witnessed a significant increase in gross written premiums.
- Sales through insurance companies' websites and electronic insurance brokerage platforms increased from 6.9% in 2020G to 7.5% in 2021G.
- The depth of the insurance sector in non-oil GDP decreased slightly in 2021G to 1.91%, compared to 1.92% in 2020G.
- Total loss rate of the sector increased, amounting to 83.4% in 2021G, compared to a loss rate of 76.7% in 2020G, due to the recovery of the claims level to pre-COVID-19 levels.
- The sector achieved a net loss (after zakat and tax) of approximately SAR 47 million in 2021, while the increase in investment income offset the increase in losses in insurance operations.
- Saudization in insurance companies continued to increase from 75% in 2020G to 77% in 2021G.
- SAMA urges insurance companies to carry out mergers and acquisitions to achieve the objectives of the Kingdom Vision 2030 through the Financial Sector Development Program, enhance the financial position of the insurance sector in order to preserve the rights of

the insured, improve the quality of services provided to customers, reduce costs, improve efficiency, diversify products, and enhance the ability to recruit and retain human competencies.

Key Regulatory Developments in the Insurance Sector in 2021G

- Amending certain articles of the Insurance Companies Control Law to support sustainability and stability of the financial sector. These amendments enhance SAMA role in maintaining the rights of the insured, beneficiaries and investors.
- SAMA issued rules and regulations to keep pace with changes in the sector in particular and the economy in general. Key changes are as follows:
 1. Controls for the establishment and management of health insurance risk pools through intermediaries, which aim to support small and medium enterprises to facilitate their access to insurance products with appropriate coverage and prices.
 2. Medical malpractice insurance policy form, which establishes the minimum coverage that should be provided in the insurance policy for the medical practitioners to cover medical malpractice.
- Introduction of insurance products by the sector to maintain SAMA role in developing the insurance industry in the Kingdom, namely: Coverage of self-driving vehicles, third-party liability insurance for a crafters, insurance product for private sports facilities to cover property risks and injuries of players and members of these facilities, and parcel post insurance.
- There has been significant progress in applying SAMA plan for insurance sector transition to IFRS 17. The sector successfully completed Phase 3 of the transition project to apply the Standard and moved to the final Phase 4. The achievements during this phase include the completion of the first pilot operation by insurance companies in 2021G. The second and third pilot operations are scheduled to be completed in 2022G. IFRS 17 adoption target is to provide more accurate, transparent and quality information to users of the financial statements of insurance companies.
- Approval of initial licensing of two insurance brokerage platforms for pilot roll-out, in addition to the two electronic insurance brokerage platforms that were licensed earlier. Health insurance has also been added within the electronic sale channels of brokerage platforms, which will facilitate access to insurance products, especially for small and medium enterprises.

Source: SAMA, Saudi Insurance Market Report 2021.

Summary of Risk Factors

Before making their investment decision related to subscribing or trading in the initial rights shares, prospective investors willing to subscribe for the offered shares must study and review all the information contained in this Prospectus, including in particular the risk factors which are explained in detail in Section No. (2) "Risk Factors" of this Prospectus.

Summary of Financial Information and Key Performance Indicators

The summary of the financial information presented below is based on the Company's audited financial statements for the financial years ending on December 31, 2020G, 2021G and 2022G and the accompanying notes. Therefore, the summary of the financial statements and the main performance table of the Company below should be read with the audited financial statements for the financial years ending on December 31, 2020G, 2021G, and 2022G.

Key Performance Indicators

Item	December 31, 2020G	December 31, 2021G	December 31, 2022G
Gross Written Premium Growth Rate	(15.1%)	9.3%	69.42%
Ceded Rate (including loss surplus premiums)	15.2%	12.8%	11.38%
Net earned premiums as a percentage of gross written premiums	87.8%	85.4%	65.78%
Net loss rate	74.7%	87.3%	85.46%
Commission paid as a percentage of gross written premiums	4.0%	4.8%	3.88%
Commission received as a percentage of ceded premiums	10.7%	14.1%	10.29%
Net commission rate: Reinsurance commission less policy underwriting costs/net earned premiums	(2.8%)	(3.5%)	(4.11%)
Net profit in written premiums as a percentage of gross written premiums	18.0%	(4.9%)	0.59%
Net expense ratio	22.0%	23.8%	14.53%
Net consolidated ratio	96.7%	111.1%	99.99%

Source: The Company

Summary of the Statement of Financial Position

(SAR' 000)	December 31, 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	Annual Change 2020G-2021G	Annual Change 2021G-2022G
Total Assets	711,332	614,541	765,970	(13.6%)	24.6%
Total Liabilities	502,738	518,057	728,202	3.0%	40.6%
Total Shareholders' Equity	208,594	96,484	37,768	(53.7%)	(60.9%)
Total Shareholders' Liabilities and Equity	711,332	614,541	765,970	(13.6%)	24.6%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Summary of the Statement of Income

(SAR' 000)	December 31, 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	Annual Change 2020G-2021G	Annual Change 2021G-2022G
Gross written premiums	427,623	467,531	792,108	9.3%	69.4%
Net written premiums	362,572	407,582	701,950	12.4%	72.2%
Net earned premiums	375,360	399,339	521,065	6.4%	30.5%
Gross Revenues	388,007	408,439	544,567	5.3%	33.3%
Total subscription costs and expenses	311,213	431,120	539,877	38.5%	25.2%
Net underwriting (loss)/profit	76,794	(22,681)	4,690	(129.5%)	(120.7%)
Total other expenses	(63,870)	(83,729)	(60,017)	31.1%	(28.3%)

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Summary of the statement of cash flows

(SAR' 000)	December 31, 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	Annual Change 2020G-2021G	Annual Change 2021G-2022G
Net (loss)/profit for the year	24,191	(112,110)	(58,716)	(488%)	47.6%
Net cash from / (used in) operating activities	(29,160)	(94,346)	77,841	224%	182.5%
Net cash from / (used in) investing activities	163,164	60,193	(62,057)	(63%)	(203.1%)
Net cash (used in) financing activities	(4,519)	(1,077)	(5,035)	(76%)	(367.5%)
Cash and cash equivalents at end of year	159,246	124,016	134,765	(22%)	8.7%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

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1. Term and Definitions

Annex 13-9

Defined Term or Acronym	Definition
"Company" or "Salama"	Salama Cooperative Insurance Company, Saudi Joint Stock Company.
Advisors	The Company advisors whose names appear on pages (H) and (I).
Auditor	Al-Azm, Al-Sudairy, Al-Sheikh & Partners Chartered Accountants & Auditors, Dr. Mohamed Al-Amri & Co, and Al-Bassam & Partners Allied Accountants
Related Parties	<p>In the Rules on the Offer of Securities and Continuing Obligations, and in accordance with the terms used in the regulations of the Capital Market Authority, and its rules issued by the Authority Board under Resolution no. (4-11-2004), dated 20/08/1425H (corresponding to 04/10/2004G), amended by the Resolution of the Capital Market Authority No. 8-05-2023, dated 25/06/1444H (corresponding to 18/01/2023G), related parties shall mean the following:</p> <ol style="list-style-type: none"> 1. Affiliates of the Issuer. 2. Substantial Shareholders of the Issuer. 3. Directors and senior executives of the Issuer. 4. Directors and senior executives of the affiliates of the Issuer. 5. Directors and senior executives of substantial shareholders of the Issuer. 6. Any relatives of the persons in (1, 2, 3, 4 or 5) above. 7. Any company is controlled by any person described at (1, 2, 3, 4, 5, or 6) above. <p>For purposes of Paragraph (6) of this definition, relatives shall mean the father, mother, husband, wife and children.</p>
Total (Gross) Written Premiums	Total insurance contracts premiums written within a certain period without deducting the premiums ceded to reinsurers.
Ceded Premiums	The premiums ceded to reinsurers within the context of reinsurance operations.
Net Written Premiums	The premiums retained with the insurer after deducting the premiums ceded to the reinsurers from the total insurance premiums written.
Unearned Premiums	The portion of written premiums that covers risks relating to subsequent financial periods.
Board or Board of Directors	The Board of Directors of Salama Cooperative Insurance Company, whose names appear on page (F).
By-Laws	The Company's By-Laws
CMA or the Authority	Capital Market Authority of Saudi Arabia
Companies Law	The Companies Law applicable in the Kingdom of Saudi Arabia promulgated by Royal Decree No. (M/6) dated 22/03/1385H, and the Royal Decree No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G).
Capital Market Law	Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1428H (corresponding to 31/07/2003G), and amendments thereto.
Solvency Margin	The extent to which the Company's assets convertible into cash exceed its liabilities.
Tadawul	The Saudi Tadawul Company
Business Day	Any business day except Friday and Saturday and any day that is an official holiday in the Kingdom of Saudi Arabia or any day on which banking institutions are closed in accordance with applicable regulations and other government 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/5) dated 07/01/1442H (corresponding to 26/08/2020G).

Securities Depository Center Company/ Depository Center	It is a closed joint stock company wholly owned by the Saudi Tadawul Group (“Tadawul”). It was established in 2016G under the Saudi Companies Law promulgated by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015G).
Optional Reinsurance	An optional method of reinsurance on a case-by-case basis in which the reinsurer has the option to accept or reject the risks presented to it.
Proportional Reinsurance	The method of distributing insurance amounts (whether premiums or claims) between the Company and the reinsurer at a certain agreed upon percentage.
Founding Shareholders	The Founding Shareholders of the Company whose names appear on page (41).
GCC	Gulf Cooperation Council (GCC).
General Assembly	The general assembly of the Company’s Shareholders.
Government	Government of the Kingdom of Saudi Arabia.
Public	In the Rules on the Offer of Securities and Continuing Obligations, public means the persons other than: <ol style="list-style-type: none"> 1. Affiliates of the Issuer. 2. Substantial shareholders of the Issuer. 3. Directors and senior executives of the Issuer. 4. Directors and senior executives of the affiliates of the Issuer. 5. Directors and senior executives of substantial shareholders of the Issuer. 6. Any relatives of the persons in (1, 2, 3, 4, or 5) above. 7. Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above. 8. Persons who act together in agreement and jointly own (5%) or more of the class of shares that will be listed.
Insurance Law or Cooperative Insurance Companies Control Law in the Kingdom	Cooperative Insurance Companies Control Law issued by Royal Decree No. M/32 dated 02/06/1424H (corresponding to 31/07/2003G) and amended in accordance with the Royal Decree No. (M/12) dated 23/01/1443H (corresponding to 01/09/2021G).
Foreign Investment Law	It is the Foreign Investment Law issued by Royal Decree No. (M/1) dated 05/01/1421H and Cabinet Resolution No. (M/1) dated 05/01/1421H.
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.
Council of Health Insurance	The Council of Health Insurance, a Saudi governmental body with an independent legal entity, established pursuant to Article 4 of Cabinet Resolution No. (71) dated 27/04/1420H (corresponding to 11/08/1999G), which provides for the establishment of the Council of Health Insurance to oversee the implementation of the Cooperative Health Insurance Law Cooperative. This Law aims to provide and regulate health care for all non-Saudi residents in the Kingdom. It may be applied to citizens and others by a decision of the Council of Ministers
Insurance Policy	A legal document or a contract issued to the Insured by the Company for loss and damages against a premium paid by the Insured.
Protection and Saving Insurance	Insurance operations under which the insurer pays a sum or sums, including saving proceeds, at a future date in exchange for the subscriptions paid by the Insured.
H	The Hijra Calendar
G	The Gregorian Calendar

Vision 2030	The national strategic economic program that aims at reducing dependence on oil and petrochemicals, diversifying the Saudi economy, and developing the public services.
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 GCC countries, which came into force as of 01 January 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 countries. VAT has been set at 5%. A number of products such as basic foods, services related to health care and education) were exempted from the said tax. The government of the Kingdom has decided to increase the VAT rate from (5%) to (15%) as of 01 July 2020G.
Implementing Regulations	The Implementing Regulations of the Cooperative Insurance Companies Control Law issued under Ministerial Order No. 1/561 dated 01/03/1425H (corresponding to 20/04/2004G) by His Excellency Minister of Finance.
Corporate Governance Regulations	Corporate Governance Regulations in the Kingdom of Saudi Arabia issued by the Capital Market Authority pursuant to Resolution No. 8-16-2017 dated 16/5/1438H (corresponding to 13/2/2017G), amended by Resolution of the Board of Directors of the Capital Market Authority No. 8-5-2023 dated 25/6/1444H (corresponding to 18/1/2023G).
Insurance Corporate Governance Regulations	Insurance Corporate Governance Regulations in the Kingdom of Saudi Arabia issued by the General Department of Insurance Supervision at SAMA pursuant to Royal Decree No. M/32 dated 02/06/1424H (corresponding to 31/07/2003G) and any amendments thereto.
The Insured	A natural or legal person who concludes the insurance contract.
The Insurer	An insurance company that accepts insurance contracts from the Insured and undertakes compensation for the risks directly exposed to by the Insured.
Kingdom	Kingdom of Saudi Arabia
Rules on the Offer of Securities and Continuing Obligations	The rules on the offer of securities and continuing obligations issued by the board of the Capital Market Authority under resolution no, 3-123- 2017, dated 09/04/1439H (corresponding to 27/12/2017G), based on the Capital Market Authority Law issued under Royal Decree No. M/30, dated 02/06/1424H (corresponding to 31/07/2003G), amended under the Capital Market Authority Board Resolution No. 08-05-2022, dated 25/06/1444H (corresponding to 18/01/2023G).
Listing Rules	The listing rules issued by the Saudi Stock Exchange (Tadawul) and approved by the Resolution of the Board of the Capital Market Authority No. 3-123-2017 dated 04/09/1439H (corresponding to 27/12/2017G), amended under the Resolution of the Board of the Capital Market Authority No. 1-104- 2019, dated 01/02/1441H (Corresponding to 30/09/2019G), amended under the Resolution of the Board of the Capital Market Authority No. 1-22-2021, dated 12/07/1442H (corresponding to 24/02/2021G), amended under the Resolution of the Board of the Capital Market Authority No. 1-19-2022, dated 12/07/1443H (corresponding to 13/02/2022G), amended under the Resolution of the Board of the Capital Market Authority No. 1-52-2022, dated 12/09/1443H (corresponding to 13/04/2022G).
Lead Manager	Alawwal Capital Company
Additional-Lead Manager	Alnefaie Investment Group
The Management	Management of Salama Cooperative Insurance Company
Rights Issue	Rights are tradable securities that give their holders the right to subscribe to the new shares offered upon approval of the capital increase. They are acquired rights for all Registered Shareholders who own shares on the trading period. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price. Rights Issue shall be deposited within two days from the date of the Extraordinary General Assembly for the capital increase. The Rights Issue shall appear in the portfolios of the Registered Shareholders under a new code for the Rights Issue.
Net Proceeds	The net proceeds of the subscription after deducting the subscription expenses.

Offering/Subscription Price	10 Saudi Riyals per share.
Shares Offered for Subscription	10,000,000 ordinary shares
Subscription Eligibility Date	End of trading on the day of the Extraordinary General Assembly, which votes on the proposed capital increase, according to the Board's recommendation, on 21/04/1445H (corresponding to 05/11/2023G).
Rump Offering	Offering any remaining unsubscribed shares by Eligible Persons to institutional investors by offering them during the Rump Offering Period.
Rump Offering Period	In case there are Rump Shares that have not been subscribed for, subscription to these Shares will begin on Sunday 12/05/1445H (corresponding to 26/11/2023G) from 10:00 AM until 5:00 PM Monday 13/05/1445H (corresponding to 27/11/2023G).
Rump Offering Price	The price at which the Rump Shares are offered to institutional investors to submit their offers to subscribe for during the Rump Offering process, which is equal to the Offer Price of ten (10) Saudi Riyals per share.
Total Proceeds of the Rump Offering	The amount resulting from the sale of the remaining shares.
Eligible Persons	It includes both Registered Shareholders and those who purchased the Rights Issue during the Trading Period.
Trade of Rights	Eligible Persons can trade in the Rights by selling or buying them in the Saudi Stock Exchange ("Tadawul").
Registered Shareholders	Shareholders who own Shares at the end of trading on the day in which the Extraordinary General Assembly relating the capital increase is held and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly relating the capital increase.
Official Gazette	Umm Al-Qura newspaper, which is the official newspaper of the Government of the Kingdom of Saudi Arabia.
The Person	A natural person
Prospectus	This document prepared by the Company in connection with the subscription to Rights Issue Shares.
Insurance Policy Holder	A person who holds insurance policies issued by the Company or acquired under the acquisition process, according to the Company's records.
Reinsurance	The process by which an Insurer or Reinsurer insures or reinsures another Insurer or Reinsurer against all or part of Reinsurance or Reinsurance risks.
Reinsurer	A reinsurance company that accepts insurance contracts from another insurance company for all or some of the risks it bears.
The Saudi Central Bank (SAMA)	The Central Bank of Saudi Arabia which is the agency responsible for supervising the financial sectors authorized to operate in the Kingdom of Saudi Arabia, such as (banks, insurance companies, finance companies, exchange institutions, and credit information companies).
Riyal	Saudi Riyal is the official currency of the Kingdom of Saudi Arabia.
Fiscal Year(s)	It is the period specified for presenting the result of the entity's activity, the beginning and end of which are determined in the Article of Association or By-Laws of the concerned company. The Company's fiscal year ends on 31 December.
Shareholder	A shareholder or owner of stake at a specified time.
Shares	The company's 10,000,000 ordinary shares at a nominal value of SAR 10 per share.
Alawwal Capital Company	A financial market institution licensed by the Capital Market Authority to carry out management, advice, arrangement, dealing and custody of securities.
Investment Institutions	It includes a group of institutions, which are as follows: <ul style="list-style-type: none"> • The Government of the Kingdom, or any international body recognized by the Authority, or the Exchange and any other financial market recognized by the Authority, or the Depository Center. • Investment companies acting for their own account.

	<ul style="list-style-type: none"> • Authorized persons acting on their own account. • Clients of a person authorized to engage in management business, provided that the offering is to that authorized person, and that all related communications are made through him, and that the authorized person has been appointed on conditions that enable him to take decisions regarding the acceptance of the private placement of securities on behalf of the client without the need to obtain prior approval. • Persons registered with the authorized person if the offering is made by the same authorized person. • Specialized investors. • Any other persons designated by the Authority.
The Ministry of Investment	Ministry of Investment in the Kingdom of Saudi Arabia (formerly the General Investment Authority).
Zakat, Tax and Customs Authority	Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia (formerly the General Authority of Zakat and Income Tax).
Saudi Organization for Chartered and Professional Accountants	Saudi Organization for Chartered and Professional Accountants
Subscriber	Any person who subscribes or submits an application for subscribe to the Rights Issue in accordance with the terms and conditions of the Company's shares issuance.
Surplus Distribution	The method by which the profit of an Insurer or Reinsurer is distributed to policyholders
Tadawul	The automated system for purchase and sale of Saudi shares.
Technical Provisions (Reserves)	These are the amounts that the company allocates to cover expected losses resulting from the policies of a type of insurance and the resulting financial obligations.
Insurance Premium Deficiency Reserve	It is an estimated provision determined by the actuary based on the expected loss ratio for the remaining part of the risk and usually arises when the actuary believes that the prices of the policies are not sufficient to cover future claims related to them.
Underwriter	Alawwal Capital Company
Underwriting Agreement	Underwriting Agreement between the Company and the Underwriter.
Moody's Investor Service /Moody's	Moody Agency, an American agency specialized in economic research, financial analysis, and evaluation of private and government institutions in terms of financial and credit strength.
"S&P"	<p>Standard & Poor's, an American company specialized in credit rating and the development of indicators to measure the performance of financial markets in various global markets, in addition to providing analysis services and specialized studies for many companies listed in international markets. Standard & Poor's long-term credit ratings are divided into two grades: 'investment grade' and 'non-investment grade'. The investment grade ratings are in turn divided into four grades:</p> <ol style="list-style-type: none"> 1. "AAA" (Extremely Strong ability to meet obligations, Best Rating), 2. "AA" (Very strong ability to meet financial obligations, just below AAA), 3. "A" (strong ability to meet financial obligations but debtors of this grade can be more affected by changes and economic conditions than debtors of higher grades), <p>"BBB" (Sufficient capacity to meet financial obligations, but unfavorable economic conditions and changing conditions may lead to poor ability to meet financial obligations).</p>
"AM Best"	<p>AM Best is an American company established in 1899G, specialized in the field of credit rating, focusing on all organizations operating in the insurance sector worldwide. AM Best's credit ratings are divided into two grades: 'investment grade' and 'non-investment grade'. Investment grade ratings are further divided into four grades: "bbb" (good), "a" (excellent), "aa" (outstanding), and "aaa" (exceptional).</p>

	AM Best's financial strength ratings are divided into two grades: "safe" and "unsafe". The "safe" ratings are in turn divided into three grades: "good" (B++, B+), "excellent" (A, A-), and "outstanding" (A++, A+).
Fitch Rating	Fitch Ratings is an American agency specialized in the field of credit rating. Fitch Ratings has different credit ratings, the most important of which are: "AAA" (which is for companies with the highest credit capacity), "AA" (which is for very excellent credit companies), and "A" (which is for credit-worthy companies), and "BBB" (which is for credit-good companies).
Actuarial Report	A memorandum prepared by the actuary and contains the statistical theories and various possibilities on the basis of which services are priced, liabilities are evaluated, and provisions are calculated.
Chain Ladder Method	One of the most prominent actuarial methods for calculating the incurred but not reported accident reserves, depending on the historical patterns of claims development, assuming that the claims will continue to develop according to the historical pattern.
Expected Loss Rate Method	An actuarial method used to calculate the provisions of incurred but not reported accidents depending on the expected loss rate based on the pricing bases of the product/set of policies. The amounts of claims entered in the Company's records are deducted from the total expected claims to obtain the recommended provision.
Bornhuetter-Ferguson Method	A combination of the Expected Loss Rate method and the Chain Ladder method, which is used when historical patterns of development of claims are not reliable alone.

2. Risk Factors

Annex 13-10

In addition to the other information contained in this Prospectus, all prospective investors in the shares offered for subscription should carefully consider all the information in this Prospectus, including in particular the risk factors listed below, before making any investment decision about the Rights Issue or new shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to, or considered immaterial by, the Company. The Company's business, financial position, results of operations, cash flows and prospects, could be materially and adversely affected if any of the following risks actually occur or become material.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as at the date of this Prospectus, except as disclosed in this Section. Prospective investors who have doubts about the investment decision should refer to a Financial Adviser licensed by CMA for advice about investing in the shares of this Offering.

An investment in the Rights of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Any potential investor who has any doubt about IPO in the Company should seek advice on these investments from a Financial Adviser licensed by the CMA.

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

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

2.1 Risks Related to the Company's Activity and Operations

2.1.1 Risks Related to Insufficient Capital and Minimum Capital Requirements

According to Article Sixty-Six (66) and Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Central Bank, insurance companies must maintain certain levels of solvency for various types of businesses.

According to Clause (1) of Article Sixty-Six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the company that practices general and health insurance must maintain the required solvency margin by adopting the higher one for any of the following three methods:

1. Minimum capital
2. Total written premiums
3. Claims

Clause (2) of Article Sixty-Six of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA provides for the mechanics of calculation of the effective solvency rate of insurance companies.

As per Articles Sixty-Six of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA the required solvency rate calculated on the basis of the 2022 installments is 136.91 million Saudi Riyals.

The Company is not fully in compliance with the share capital requirements imposed during the year 2022 and has a deficiency with respect to the solvency rate amounting to 145.16 million Saudi Riyals (2021: 26.48 million Saudi Riyals).

As per paragraph (A) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (75%) to (100%) of the required solvency margin, then the Company shall work to amend this percentage to become at least (100%) during the next quarter.

As per paragraph (B) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (50%) to (75%) of the required solvency margin, and in the event the company does not comply with the requirement of paragraph (A) mentioned above during two (2) consecutive quarters, then the Company shall submit to SAMA a corrective plan clarifying the steps to be taken by the Company to improve its solvency margin and the required timeline in this respect.

As per paragraph (C) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (25%) to (50%) of the required solvency margin, and in the event the company does not comply with the requirement of paragraph (B) mentioned above during two (2) consecutive quarters, then SAMA can oblige the company to take any or all of the following procedures:

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

As per paragraph (D) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes below (25%) or if the company fails to correct its situation, SAMA may appoint an advisor to provide advisory services to the company or can request the withdrawal of the company's license.

As at December 31, 2020G, the solvency margin cover amounted to 144%, and as at December 31, 2021G, the solvency margin cover reached 73%, and as at December 31, 2022G, the solvency margin cover amounted to (45.2%). Accordingly, the Company is not in compliance as at 31/12/2022G with the solvency rate required as per SAMA's regulations and is not fully in compliance with the share capital requirements imposed during the year 2022 and has a deficiency with respect to the solvency rate amounting to 145.16 million Saudi Riyals (2021: 26.48 million Saudi Riyals).

As per the provisions of Article Sixty-Eight of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, the Company's Board of Directors recommended in its meeting held on 09/04/1444H (corresponding to 03/11/2022G) to increase the Company's capital through a Rights Issue at a value of one hundred million (100,000,000) Saudi Riyals, after obtaining all necessary regulatory approvals and the Extraordinary General Assembly approval. The Company obtained the no objection of the Saudi Central Bank ("SAMA") to increase its capital in accordance with the Letter No. (44036229), dated 26/04/1444H (corresponding to 20/11/2022G). On 17/10/1444H (corresponding to 07/05/2023G), the Company submitted a request to extend the non-objection to the capital increase in accordance with a letter to the Saudi Central Bank ("SAMA") No. (SM/81/2023). On 28/10/1444H (corresponding to 18/05/2023G), the Company obtained a letter from SAMA containing its approval to extend the no-objection to increasing the Company's capital through a rights issue.

The Company aims to increase its capital by offering Rights Issue to achieve and maintain the solvency level required by the Saudi Central Bank ("SAMA") (Please refer to Subsection (6.2) "Using the Net Offering Proceeds" of Section (6) "Using the Offering Proceeds").

Additionally, and as per the Company's reply dated 18/05/2022G to SAMA's letter number (43082110) dated 19/09/1443H (corresponding to 20/04/2022G) relating to the solvency rate requirements, pursuant to which SAMA considered that the effective solvency rate of the Company has

decreased as compared to the solvency rate required as per Article Sixty-Six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, the Company's corrective plan included in addition to the increase of its capital, the following:

1. Restructuring of the investments.
2. Review of the credit policy of the Company.
3. Recover the insurance policies dues.
4. Review the sale and subscription strategy.

In the event of the Company's failure to correct its financial situation and its failure to meet the required solvency requirements, SAMA has the right, as per paragraph (D) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, to oblige it to appoint a consultant (to provide advice as needed) or to withdraw the Company's license and prevent it from selling its insurance products in the event that it does not comply with the correction of its financial position within a period determined by SAMA. This will have a negative and substantial impact on the Company's business, results of operations, financial position and future prospects.

2.1.2 Risks Related to Accumulated Losses

The Company's accumulated losses as of December 31, 2020G were 48,705 Saudi Riyals representing 19.48% of its share capital, while as of December 31, 2021G, the Company had accumulated losses of 158,757 thousand Saudi Riyals representing 63.51% of its share capital, and as of December 31, 2022, the Company had accumulated losses of 62.1 million Saudi Riyals representing 62.1% of its share capital.

There are no guarantees not to register additional losses. If the accumulated losses reach (20%) or more than (50%) of the Company's capital, the Company has to announce that immediately to the public. The announcement should include the accumulated losses, their percentage of the capital, and key causes of the losses. The announcement should also indicate that the Company will be subject to these procedures.

Subject to the provisions of Article 132 of the Companies Law, the Company shall, after announcing that its accumulated losses reached 50% or more of its capital, announce the following:

- (1) The date of the last day on which the Board of Directors may invite the Extraordinary General Assembly to convene, and the date of the last day for convening the Extraordinary General Assembly to address the accumulated losses.
- (2) The Board of Directors' recommendation to the Extraordinary General Assembly regarding its accumulated losses immediately following its issuance.

Article 132 of the Companies Law stipulates that if the losses of a company amount to half of the issued capital, the Board of Directors shall, within 60 days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within 180 days from said date, call for an Extraordinary General Assembly meeting to consider the continuation of the company by taking measures necessary to resolve such losses or the dissolution of the company.

On 18/01/1444H (corresponding to 16/08/2022G), the Extraordinary General Assembly approved the Board of Directors recommendation to reduce the Company's capital by one hundred and fifty thousand (150,000,000) Saudi Riyals so that the Company's capital becomes one hundred million (100,000,000) Saudi Riyals. This decrease aims to restructure the capital and amortize (94.48%) of the accumulated losses which amounted to (158,767,000) Saudi Riyals as at 31 December 2021.

The accumulation of losses has a negative and material effect on the Company, its financial results and future expectations and can lead to dissolution thereof.

2.1.3 Risks Related to Penalties by the Competent Regulatory Authorities

The Company's business is subject to many regulations and instructions issued by SAMA, the Capital Market Authority (CMA), the Health Insurance Council and a number of other regulators. Accordingly, the Company is subject to inspection and observation visits, which may result in penalties in case of non-compliance with laws, regulations and instructions or delay in fulfilling any of them. The Company may be exposed to a number of penalties and fines imposed by SAMA and CMA, including suspension of some or all of its business, or suspension of trading its shares, which will adversely and substantially affect its business, financial position and future prospects. In the course of its normal business, the Company has committed some procedural irregularities resulting from inspection visits made by SAMA which are as follows:

Risks relating to Cyber Security violations amounting in total to Five Hundred Thousand Saudi Riyals (SAR 500,000) as mentioned in the Company's Board Report:

- On 16/03/1444H (corresponding to 12/10/2022G), SAMA recorded a violation to its instructions on cyber security risks, which resulted in a SAR 500,000 fine on the Company.

Risks relating to violation of the supervisory and control instructions of SAMA amounting in total to Three Hundred Sixty Five Thousand Saudi Riyals (SAR 365,000) as mentioned in the Company's Board Report:

- On 05/01/1444H (corresponding to 03/08/2022G), SAMA recorded a violation to SAMA's supervisory and control instructions, which resulted in a fine of SAR 200,000 on the Company.
- On 10/10/1443H (corresponding to 11/05/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 80,000 fine on the Company.
- On 29/11/1443H (corresponding to 28/06/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in SAR 20,000 fine on the Company.
- On 30/07/1443H (corresponding to 03/03/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 60,000 fine on the Company.
- On 23/07/1441H (corresponding to 18/03/2020G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 5,000 fine on the Company. Notwithstanding that the fine was issued in 2020G, the Company paid the fine during the same year, but it was recorded in the Company's accounts during the year 2022G and appeared in the Board Report for the year 2022G. The delay in recording the fine was due to the Covid-19 virus.

As such the total amount of the fines relating to the violation of SAMA's supervisory and control instructions is Three Hundred Sixty-Five Thousand Saudi Riyals (SAR 365,000) out of which Three Hundred Sixty Thousand Saudi Riyals (SAR 360,000) with respect to the year 2022 and an amount of Five Thousand Saudi Riyals (SAR 5,000) with respect to the fine issued on 23/07/1441H (corresponding to 18/03/2020G).

In addition to the abovementioned fines of the Central Bank, a fine was recorded by the Council of Health Insurance on 19/12/1444H (corresponding to 15/09/2022G) amounting of (252,700) Saudi riyals.

Also, the following violations have been recorded by the General Organization for Social Insurance:

- Fine for invalid employee dismissal: 1,000 Saudi Riyals. The fine was issued on 18/05/1443H (corresponding to 22/12/2021G) which has been paid by the Company on 20/06/1443H (corresponding to 23/01/2022G) and recorded in the Company's accounts as mentioned in the Board Report for the year 2022.
- Fine for late dues payment for March 2022G: 30,000 Saudi Riyals.
- Fine for late dues payment for May 2022G: 30,000 Saudi Riyals.
- Fine for late dues payment for July 2022G: 10,000 Saudi Riyals.

On 27/03/1443H (corresponding to 02/11/2021G), Jeddah Municipality issued a municipal fine amounting to seven hundred (700) Saudi Riyals. Although the fine was issued in 2021, however it was paid by the Company during the year 2022 and recorded in the Company's 2022 accounts as mentioned in the Board Report for the year 2022.

It should be noted that the Company has paid all the above fines. Other than what is disclosed in this Risk, the Company has not registered any irregularities of other regulators in 2022G. If the Company continues to get violations and fines, this will affect the Company's operational expenditures and accordingly will adversely and significantly affect its business and financial position.

2.1.4 Risks related to the Inability to Implement the Strategy

The Company's ability to increase its revenues and improve its profitability depends on the effective implementation of its business plans and successful implementation of its strategy including, but not limited to, improvement of current activities in which the Company operates or entering new activities. The Company's ability to expand its business in the future depends on its ability to continue implementing and improving its operational, financial and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate and maintain its workforce. Moreover, any business expansion plans that the Company intends to undertake in the future will be subject to the estimated costs and the schedule of implementation set for them and may need additional funding to complete any expansion plans. If the Company is unable to implement the expansion plans according to the schedule set for them with the estimated costs of the project or in the event that the desired profitability of these projects is not achieved, due to various reasons, including a change in the market situation at the time of implementation of these projects or a defect in the feasibility study, the Company's competitive position as well as its results of operations and profitability will be adversely affected. The Company's ability to implement its current strategy is subject to various factors, including what is out of its control, and there are no guarantees that no defect, failure or sudden interruption in the work of production lines will occur during the expansion process, or that the employees appointed by the Company or the systems, procedures and controls it adopts will be sufficient to support future growth and expansion and successfully achieve its strategy. In the event that the Company fails to implement any part of its strategy for any reason, this will have a negative and material impact on the Company's business, results of operations, financial position and future prospects.

2.1.5 Risks related to Credit

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

It should be noted that the doubtful debt provision, debt from reinsurers, scrap recoveries and solutions reached to 37,368 thousand Saudi Riyals as at December 31, 2020G, 44,384 thousand Saudi Riyals as at December 31, 2021G and 50,023 thousand Saudi Riyals as at December 31, 2022G. The Company may face credit risks in several temporary or permanent situations, including reinsurers inability to meet their settlement obligations and customer debit balances (For more information, please refer to Subsection (5.8) "Statement of Financial Position" of Section (5) "Financial Information, Management Discussion and Analysis").

Pursuant to Article (5) of the Unified Compulsory Motor Insurance Policy issued by the Saudi Central Bank ("SAMA"), insurance companies are required to indemnify third party/parties (other than the insured) for the consequences of accidents covered under the insurance policy against third parties. Insurance companies have the right of recovery from the insured, the driver or the person causing the accident to recover the amounts paid to the third party. Therefore, recovery from the insured, the driver or the person causing the accident to recover the paid amounts may result in risks of failure or procrastination by some people to repay the amounts due from them, which will adversely and significantly affect the Company's business, financial position and results of operations.

2.1.6 Risks related to Credit Rating

As at the date of this Prospectus, the Company has no credit rating, and in the event that it applies for a credit rating, then there is no guarantee that the Company will obtain any rating, and even if it obtains the credit rating, it also does not guarantee that, such rating will be good. Any credit ratings a company may receive in the future affect the terms that the parties with the Company wish to rely on when dealing with the Company. The good rating of the most popular global rating agencies such as A.M. Best ranges from (A++) to (B+) and Standers & Poor's (S&P) ranges from (AAA) to (BBB-). If the Company obtained a good credit rating, which contributed to better the terms of its reinsurance agreements, gaining greater customer confidence and encouraging prospective insurance applicants to do their insurance with it rather than other competing insurers, the company may be harmed if it gets a rating that differs in its credit rating from time to time as a result of various factors affecting the company's credit ratings that would get out of its control. In the event that the company faces a decrease in the level of its rating provided by any rating agency (if obtained), it will affect company's ability to do business and its profit margins, which might have a negative and substantive impact on the company, its financial position and the results of its operations.

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 between 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 of Related Parties

In the course of its normal business, the Company deals with companies that are defined as related parties, mainly representing membership in the Board of Directors, executive positions held by the Company's shareholders in other companies, and transactions carried out with related parties.

Total transactions with senior management personnel are as follows:

Table 1: Compensation of key MANAGEMENT personnel

(SAR '000)	31 December 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Salaries and benefits	2,975	1,395	4,698	(53.1%)	236.8%
End of service indemnities	1,042	1,180	1,295	13.2%	9.7%
Remuneration to those charged with governance	27	66	443	144.4%	571.2%
Total	4,044	2,641	6,436	(34.7%)	143.7%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

In addition, the Company entered into transactions with the following related parties:

Table 2: Transactions with related parties

(SAR '000)	31 December 2020G (Audited)	December 31 2021G (Audited)	December 31 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Major shareholder					
Salama Company (IAIC) - United Arab Emirates*	-	-	970	N/A	(100.0%)
Entities that are controlled, jointly controlled, or significantly influenced by the members of the Board of Directors					
Salama Company (IAIC) - United Arab Emirates	-	(970)	-	N/A	
Al Mamoon Insurance Brokers	-	-	(884)**	N/A	(12.8%)
Ittihad Insurance Brokers	-	-	(36)**	N/A	(77.8%)

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

**These transactions are from the date of appointment of the relevant directors, i.e., September 11, 2022G.

Additionally, the Company appointed Al-Awwal Capital as a financial advisor, lead manager, and underwriter in relation to this issue. Also, Dr. Saleh Jameel Malaika, Chairman of Al-Awwal Capital, is a 0.057% shareholder in Salama. Moreover, (a) one of Mr. Saleh Jamil Malaika's subsidiaries, Rasd Intl Marketing Services, is a 3.72% shareholder in Salama; and (b) Mr. Uday Adnan Mohamed Telmesani, son of the General Manager of Al-Awwal Capital, is a 0.00004% shareholder in the Company.

Article (27) (1) of the Companies Law stipulates that neither the Company's manager nor a member of its board of directors may have any direct or indirect interest in the business and contracts that are made for the Company's account except with a license from the partners, the General Assembly, or Shareholders or their representatives.

Article (71) (1) of the Companies Law stipulates that, subject to the provisions of Article (27) of the Companies Law, a member of the Board of Directors shall, immediately upon his knowledge of any interest he has, whether direct or indirect, in the business and contracts that are made for the account of the Company, notify the Board about such interest, and record this notification in the Board minutes of meeting when it is convened. Such members may not participate in voting on the decision issued in this regard by the Board and General Assembly meetings. The board shall notify the general assembly, when it convenes, of the transactions and contracts in which such board member has direct or indirect interest; the notice shall be accompanied with a special report prepared by the company auditor in accordance with auditing standards approved in the Kingdom.

Article (71) (2) stipulates that if a board member fails to disclose his interest referred to in Paragraph (1) of this Article, the Company or any interested party may claim before the competent judicial authority to invalidate the contract or oblige the member to pay any profit or benefit gained therefrom.

Article (71) (3) stipulates that the responsibility for the damages resulting from such business and contracts referred to in Paragraph (1) of this Article shall be borne by the member who has an interest in such business or contract and the Board members in case of failure or negligence in performing their obligations in violation of the provisions of this paragraph, or in case it is proven that such business and contracts are unfair or involve a conflict of interests and harm the shareholders.

In addition, Article (87) (1) of the Corporate Governance Regulations stipulates that the Board report shall include a presentation of its operations during the last financial year, and all factors affecting the Company's business. The Board report shall include the provisions of such Regulations that have been applied, the ones that have not been applied and the reasons for that.

With respect to the related party transactions relating to the financial year ending on 31/12/2022G, the ordinary general assembly of the Company approved the following transactions during tis meeting held on 18/11/1444H (corresponding to 07/06/2023G):

1. Approving the contracts and transactions entered into between the Company and Al Mamoon Insurance Brokers, in which the board member Adnan Jamil Khoja (non-executive member) has a direct interest, relating to an insurance brokerage agreement. The agreement does not contain preferential rights and the total amount of the transaction for the year 2022 is Eight Hundred Eighty Four Thousand Saudi Riyals (SAR 884,000).
2. Approving the contracts and transactions entered into between the Company and Ittihad Insurance Brokers, in which the board member Abdallah Adel Sultan (independent member) has an indirect interest, relating to an insurance brokerage agreement. The agreement does not contain preferential rights and the total amount of the transaction for the year 2022 is Thirty Six Thousand Saudi Riyals (SAR 36,000).

The Board Report for the year 2022 includes information relating to the above-mentioned transactions which have been approved.

With respect to the related parties transactions that occurred during the financial year ending on 31/12/2021G, and while the Board Report for the year 2021 referenced the transactions and contracts that occurred during such year and clarified that it relates to payment received on behalf of Salamah IAIC – UAE and which amounts to Nine Hundred Seventy Thousand Saudi Riyals (SAR 970,000), however the board of directors did not notify the general assembly of the related party transactions that occurred during such year. Consequently, the general assembly did not approve the related party transaction with Salamah IAIC – UAE during the year 2021, due to the fact that it was not notified of such transaction.

As for the year 2020, no related party transaction have been entered into by the Company.

As such the violation of Articles Twenty Seven (27) and Seventy One (71) of the Companies' Law with respect to the related party transactions that occurred during the year 2021 with Salamah IAIC – UAE may subject the Company to fines from the CMA and to the cancellation of the agreements with respect to the related party transactions.

In concluding the aforementioned contracts and agreements, the Company was committed to executing all transactions on a purely commercial and competitive basis that warrants the rights of shareholders and the Company.

Except for the contracts and arrangements concluded with the above-mentioned related parties, the Company confirms that none of the board members or any of their relatives has any direct or indirect interest in the Company, and that there are no other contracts concluded with any other related parties, including the issuance of insurance policies covering their business and assets.

If future transactions and agreements with related parties are not made on purely commercial basis, this would adversely affect the Company's business and financial position, results of operations and future prospects (please refer to subsection (5.8) "Statement of Financial Position" of Section (5) "Financial Information, and Management Discussion and Analysis" and Subsection (9.11.1) "Transactions and Balances of Related Parties" of Section (9) "Legal Information").

2.1.9 Risks Related to Inadequacy of Provisions and Reserves

In accordance with Article (69) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company shall maintain adequate provisions to meet and cover financial obligations. as below:

- Unearned Premium Reserves
- Outstanding Claims Reserves
- Claim Expense Reserves
- Incurred but not Reported ("IBNR") Claims Reserves
- Unexpired Risk Reserves
- Disasters Risk Reserves
- General Expenses Reserves

- Provisions relating to the insurance protection and savings such as disability, death, medical expenses, etc.

The size of the reserves is estimated based on expected trends in the volume and frequency of claims according to data available in a timely manner. Determining an appropriate level of claim reserve is inherently uncertain due to the difficulty and complexity of making the necessary assumptions.

The following table shows the Amounts of Reserves as at December 31, 2020G, 2021G and 2022G:

Table 3: Amounts of Reserves

Provision (SAR '000)	31 December 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)
Outstanding Claims (under settlement)	27,754	22,859	26,987
Incurred but not Reported Claims	121,706	123,883	121,358
Total Unearned Premium Reserves	218,302	228,830	426,038
Insurance premiums deficit reserve	-	6,700	(2,866)
Other Technical Reserves	3,096	7,892	7,190

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, which will adversely and substantially affect its business, results of operations, financial position and future prospects.

2.1.10 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 activities.

Following are details on guarantees and contingent liabilities as at December 31, 2020G, 2021G and 2022G.

Table 4: Guarantees and Contingent Liabilities

Shareholders (SAR '000)	31 December 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Guarantees for Non-governmental Customers	700	700	700	-	-
Guarantees for ZATCA	9,500	9,500	9,500	-	-
Total	10,200	10,200	10,200	-	-

The Company enters into insurance contracts and is subject to legal proceedings in the normal course of business. While it is not practical to forecast or determine the final results of all the existing and potential legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at the reporting date will have a material effect on its financial results, however management has made provisions to cover any contingent liabilities.

The Company's bankers have given guarantees to non-government customers amounting to 0.7 million Saudi Riyals as at December 31, 2022G (2021G: 0.7 million Saudi Riyals) in respect of motor insurance and to ZATCA amounting to 9.5 million Saudi Riyals as at December 31, 2022G (2021G: 9.5 million Saudi Riyals) in respect of Zakat assessments for the years 2008G to 2012G. During the year 2021G, the Company have settled the liability from 2008G to 2012G and requested ZATCA to release the bank guarantee amounting to SAR 9.5 million.

In case these liabilities are realized, they will adversely and substantially affect the Company's business, financial position and results of operations.

2.1.11 Risks related to Potential Zakat Dues and Additional Tax Claims

The Company submitted the Zakat declarations for the year ended on 31 December 2021G and obtained the final Zakat and tax certificate for the year ended on 31 December 2021G.

The Company has not received the final Zakat certificate for the financial year ending on December 31, 2022G yet.

ZATCA issued assessments covering the years 2006G to 2012G amounting to 17.1 million Saudi Riyals, consisting of 9.3 million Saudi Riyals as zakat differences, 4.4 million Saudi Riyals as withholding tax differences, and 3.4 million Saudi Riyals as fines. The Company settled the withholding tax differences amounting to 4.4 million Saudi Riyals and partially settled the delay fines amounting to 3.1 million Saudi Riyals. Accordingly, the Company issued a letter of guarantee of 9.5 million Saudi Riyals in favor of ZATCA for the zakat differences of the aforementioned years. In 2021G, the Company settled its liabilities for the years 2008G to 2012G and subsequently requested ZATCA to release the 5.5 million Saudi Riyal bank guarantee.

A settlement request was submitted to ZATCA to pay 3 million Saudi Riyals to close the case, but the Zakat Disputes Committee reached a decision to settle 7.7 million Saudi Riyals to finalize the assessments for the mentioned years. ZATCA rejected the decision of the Zakat Disputes Committee, and upon the end of the hearing, the case was raised to the Appeal Committee.

ZATCA issued an assessment for 2014G, in which it requested an additional zakat liability amounting to 1.2 million Saudi Riyals. The assessment was objected to, and the objection was rejected by ZATCA. The case was escalated to the Tax Committees, and it is awaiting a decision. The management believes that Zakat liability will reach 1.2 million Saudi Riyals.

ZATCA issued an assessment for the years 2015G to 2018G, in which it requested an additional zakat liability amounting to 14.1 million Saudi Riyals, and a withholding tax liability for the years 2014G to 2018G amounting to 7 million Saudi Riyals. In 2021G, the Company settled the withholding tax differences to obtain the benefits of the first phase of the revised governmental amnesty period (full exemption of penalties). Management believes that the zakat liability will reach SAR 14.7 million.

In 2021G, the Company received zakat assessments for the years 2019G and 2020G where ZATCA requested an additional liability amounting to SAR 11.4 million. The Company objected and the liability was later reduced to SAR 9.1 million. The Company paid SAR 2.3 million in order to object according to the Zakat regulation. The objection has been referred to the General Secretariat of the Tax Committees and the case is still under discussion.

The company cannot predict the General Secretariat of the Tax Committees' decision. If the General Secretariat of the Tax Committees does not support the Company's view, such amounts will be paid by the Company. This will affect the Company's business, financial position and future prospects. As well, the Company is unable to predict whether the Zakat, Tax and Customs Authority would accept its Zakat and tax estimations for each financial year in the future and may order the Company to pay substantial Zakat differences exceeding the paid amount in addition to delay fines which would negatively impact on the Company's business, financial position and results of operations.

2.1.12 Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates

The Company is required to obtain and maintain the various regulatory permits, licenses and approvals regarding its activities. These licenses include, but not limited to, the Central Bank license, commercial records, product licenses issued by the Saudi Central Bank ("SAMA"), Ministry of Municipal and Rural Affairs licenses, the General Directorate of Civil Defense permits, Company registration certificates issued by the Ministry of Commerce, Chamber of Commerce membership certificates, Trademark registration certificate, Saudization certificates, Zakat certificates, and GOSI certificate (for more information, please see Subsection (9.10) "Licenses and Permits under which the Company Operates" of Section (9) "Legal Information").

In addition, most licenses, permits and certificates are subject to the conditions under which they may be suspended, if the Company fails to meet and adhere to those conditions.

The Company operates using GCC capital. Accordingly, it has not renewed the investment license issued by the Ministry of Investment.

Following are details of the Company's expired permits and licenses, with their respective penalties:

- As at the date of this Prospectus, the Company has not obtained permits from Civil Defense for its branches.
- As at the date of this prospectus, the following municipal licenses are expired:
 - License No. 40072077682 expired on 28/06/1444H (corresponding to 21/01/2023G)
 - License No. 3911144886 expired on 06/11/1442H (corresponding to 16/06/2021G)
 - License No. 40021714770 expired on 14/04/1443H (corresponding to 19/11/2021G)
 - License No. 41103584368 expired on 02/11/1442H (corresponding to 12/06/2021G)
 - License No. 3909102206 expired on 10/03/1443H (corresponding to 16/10/2021G)
 - License No.390995665 expired on 16/03/1444H (corresponding to 12/10/2022G)
- As at the date of this prospectus, Makkah and Taif branches did not obtain municipal licenses.
- As at the date of this prospectus, the following commercial registrations are expired:
 - Commercial Registration No. 5907031324 expired on 03/03/1444H (corresponding to 29/09/2022G)
 - Commercial Registration No. 590033107 expired on 22/07/1444H (corresponding to 13/02/2023G)
 - Commercial Registration No. 4032045121 expired on 27/08/1444H (corresponding to 19/03/2023G)
 - Commercial Registration No. 4031086374 expired on 03/09/1444H (corresponding to 25/03/2023G)

As at the date of this prospectus, the Saudization certificate expired on 18/03/2023G, and the Company is in the process of obtaining a new certificate. As at the date of this prospectus, GOSI certificate expired on 11/04/2023G, and the Company is in the process of obtaining a renewed certificate.

- a. Failure to obtain a civil defense license is a violation of the Civil Defense Law issued by the Royal Decree No. (M/10) dated 10/05/1406H (corresponding to 21/01/1986G) and amended by the Royal Decree No. (M/66) dated 02/10/1424H (corresponding to 26/11/2003G). Such failure will expose the Company to penalties and fines stipulated in Article (30) of the same Law, which stipulates that violation of any provision of this Law, its regulations or the decisions issued pursuant thereto, shall be penalized by imprisonment for a period not exceeding six months, or a fine not exceeding thirty thousand (30,000) Saudi Riyals or both. Failure to obtain the civil defense license will also render the Company unable to renew the municipality license. Inability to obtain the safety license from the civil defense may lead to the closure of the Company headquarters until the legal procedures are completed.
- b. Failure to renew the municipality license is a violation of the requirements of the Ministry of Municipal and Rural Affairs and Housing, which may expose the violating branch to the penalties stipulated in the penalties schedule relating to the 2023 Municipality penalties schedule that may reach fifty thousand (50,000) Saudi Riyals, in addition to closing the branch, which will negatively affect its operations.
- c. Lack of the aforementioned permits or failure to renew them shall be a violation of the Companies Law, which will result in a fine not exceeding (500.000) five hundred thousand Saudi Riyals. The fine shall be doubled if repeated within 3 years from the date thereof.

Inability of the Company to renew its licenses, or to obtain any licenses necessary for its business, or if any of its current licenses are expired, not renewed, or suspended, or if any of those licenses were renewed on conditions not serving the Company's interest, or in the event that the Company is unable to obtain the additional licenses that may be required in the future, this may result in disruption of the Company's

operations and incurring additional costs, and consequently, will adversely and materially affect the Company's business, results of operations, financial position, and future prospects.

2.1.13 Risks Related to Contracts with Third Parties

The Company has entered into a number of contracts and agreements, including reinsurance contracts, insurance brokerage contracts and lease contracts (please refer to Subsection (9.11) "Summary of Material Contracts" of Section 9 "Legal Information").

Most agreements with third parties are subject to the Outsourcing Regulations issued by the Saudi Central Bank for insurance companies, reinsurance companies and freelancers, under which they are required to obtain the approval of the Saudi Central Bank before any assignment to substantial tasks. The Company depends on the ability of these Parties to provide reliable and continuous services, especially with regard to IT services, settlement of claims and actuarial consulting services. Also, the Company's ability to grow and meet the needs of its customers relies on effective and experienced external sources for the performance of a number of specialized functions and services. However, it cannot be emphasized that these parties will be at the level of the Company's aspirations in providing services. The Company has no direct operational or financial control over its main service providers or external source partners, and it certainly cannot predict the unexpectedly termination of any external sources contracts.

In the event that the Company or the Contracting Parties are unable to comply with the terms of those contracts or in the event of future disputes or cases and the loss of such disputes by the Company or if the approval of the Saudi Central Bank is not obtained in accordance with the regulations governing insurance companies, reinsurance companies and freelancers, this would adversely affect the Company's business, financial position, and future prospects.

2.1.14 Risks related to Lease Contracts

It should be noted the issuance of the Council of Ministers Resolution No. (292) dated 16/05/1438H (corresponding to 13/02/2017G), which includes that a lease contract that is not registered in the electronic network is not considered a valid contract with administrative and judicial effects. The electronic network for lease services was launched on 17/05/1439H in cooperation between the Ministry of Justice and Ministry of Housing, and a circular was issued by the Ministry of Justice to approve applying this to all contracts concluded after 04/05/1440H (corresponding to 10/01/2019G).

As at the date of this Prospectus, the Company has entered into twenty-two (22) lease contracts. Makkah branch lease contract is not registered on the platform. The Saudi courts may not consider such undocumented contract; therefore, the Company as a plaintiff may not be able to protect its rights in the event that any of the lessors breaches their contractual obligations.

As at the date of this Prospectus, the following lease contracts have expired and have not been renewed in writing as stipulated in the contracts:

- Madina lease contract concluded with Aziza Al-Harbi on 01/05/2022G, which expired on 30/04/2023G.
- Buraidah lease contract concluded with Abdulrahman Al-Amer on 14/04/2022G, which expired on 13/04/2023G.
- Al-Khobar lease contract concluded with Rashid Al-Hijri on 01/04/2022G, which expired on 31/03/2023G.

In addition, the Company's inability to maintain the continuity of lease contracts related to its premises and renew them on the same current terms or on preferential terms, or its inability to use the leased property for their desired purpose for any reason, will force the Company to vacate the leased property and find other places more suitable for practicing the Company's activity, without guaranteeing appropriate lease conditions, which may have a negative and material impact on the Company's business, financial position and future prospects. (Please refer to Subsection (9.11) "Summary of Material Contracts" of Section (9) "Legal Information").

2.1.15 Risks Related to Litigation

The Company, in the course of its work, may be subject to issues and suits related to its general operations, insurance operations, conflicts and claims related to insurance coverage. The Company does not guarantee that no dispute may occur with other parties dealing with it and with policyholders, which may lead to filing lawsuits with relevant jurisdictions, either by the Company or against the Company. As a result, the Company may be vulnerable to judicial claims from government agencies, departments and investigations, including the context of new controls on the insurance sector in the Kingdom. Of course, the Company cannot expect the results of those claims if they occur, and the Company does not guarantee that these claims will not have significant impact on its business, financial position and results of operations. The Company cannot exactly expect the cost of lawsuits or judicial proceedings that it may file or be filed against it or the final results of these suits or the issued rulings and what compensation and penalties they include, and thus any negative results for such suits will adversely affect the Company.

In the course of conducting its business, the company has been exposed to lawsuits filed by some policyholders related to its insurance operations, disputes and lawsuits related to insurance cover. As at the date hereof, there are (79) active insurance lawsuits in the total amount of SAR 7,492,613.

The Company has also filed a lawsuit against Al-Tawafuq Circle Workshop to claim an amount of 8,328,968 Saudi Riyals, and it is being followed up by the Legal Advisor, Fahd bin Abdullah Mahboob. A judgment was issued in favor of the Company for a compensation of 4,197,410.10 Saudi Riyals and obligating Al-Tawafuq Circle Workshop to pay an amount of 51,750 Saudi Riyals for the expertise fees.

Other than what is disclosed in this section and Subsection (please refer to Subsection (9.13) "Disputes and Judicial Suits" of Section (9) "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 position.

2.1.16 Risks Related to Reinsurance

As part of its risk mitigation and capital management strategy, the Company needs to reinsure its insurance portfolio to mitigate certain risks, particularly in relation to motor insurance and other insurance products. Under these reinsurance arrangements, the Company transfers the risks covered by the policies to the reinsurer, or the reinsurer bears these risks and requires premiums in exchange for providing reinsurance. Based on its activity, the Company must reinsure its insurance portfolio. According to paragraph (2) of Article (40) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Company must reinsure at least thirty percent (30%) of the total premiums within the Kingdom.

According to Article (21) of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank, the Central Bank may impose a fine of up to One Million (1,000,000) Saudi Riyals on companies that do not adhere to the aforementioned percentages. Non-compliance with these percentages will cause the Company to be subject to this fine, which will negatively affect its business, financial position, results of operations, and future prospects.

The Company concluded the following reinsurance agreements that expired on 31/12/2022G, and the renewed agreements have not been issued yet:

- Reinsurance with Chedid Re for travel assistance insurance.
- Reinsurance with Hannover Re for medical insurance.

The Company's ability to enter into cost-effective contracts with reinsurers is subject to several factors, which are usually beyond the Company's control, such as the market conditions, which are beyond the Company's control, determine the availability of the appropriate reinsurance with regard to cost, and also the receipt of amounts due from future reinsurers, 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 lead to changes in prices or the desire for

reinsurance of some future risks. The additional regular reinsurance changes may lead to incompatibility between the regular 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 reinsurance with inappropriate conditions or may not be able to obtain appropriate reinsurance 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 shortcoming on the part of the reinsurers that the Company deals with, the Company will also be exposed to significant losses, which will have a negative and substantial impact on its financial positions and results of operations.

2.1.17 Risks Related to Reinsurance Concentration

The Company reinsures with several reinsurance companies to secure its insurance portfolio, and that may expose the Company to risk of default by the other party.

Total reinsurance premiums constituted SAR (65,051) thousand, SAR (59,949) thousand and SAR (90,158) thousand as at 31 December, 2020G, 2021G, and 2021G, respectively. The top three reinsurance companies that the Company dealt with during 2020G, 2021G, and 2021G, constituted (53%), (63%) and (89%), respectively, of the total reinsurance premiums.

Insolvency, bankruptcy, or any distress to a reinsurer will negatively impact the Company's business, financial position, results of operations and future expectations.

2.1.18 Risks related to Reliance on Insurance Brokers

The Company depends in carrying out its activities and distributing its products and services on a network of insurance brokers in the Kingdom. The percentage of distribution of the Company's products by insurance brokers with whom the Company deals was (73%) (70%) and (75%) of the total written premiums as at 31 December, 2020G, 2021G and 2022G, respectively. (Please refer Subsection (9.11) "Summary of Substantial Contracts" of Section (9) "Legal Information"). Inability of the Company to renew contracts with brokers, or the Central Bank imposing suspension penalty for one of the brokerage firms contracted with the Company, or inability of the Company to secure contracts with other brokers under appropriate terms to the Company, may lead to losses incurred by the Company, and as such may adversely and substantially affect the Company's financial position, results of operations and future prospects.

2.1.19 Risks related to Reliance on non-Saudi Employees

The percentage of non-Saudi employees as at the date of this Prospectus constitutes about (32%) of the total employees in the Company, which may adversely affect the Company's business results, financial position and operational results if it is unable to maintain its non-Saudi cadres or find replacements for them with the same skills and required expertise or if a change occurs in the policies and regulations of the Ministry of Human Resources and Social Development, resulting in an increase in the rate of Saudization of the sector.

The government of Saudi Arabia has also taken a number of other decisions that aim to implement comprehensive reforms in the labor market in the Kingdom, which included imposing additional fees on every non-Saudi employee working for Saudi institutions as of January 1, 2018G and on issuance and renewal of residence permits for non-Saudi families, which came into effect as of July 1, 2017G, noting that the fees are increased gradually (for more information, please refer to Subsection (2.1.5) "Risks related to Government Fees Applicable to Employment of non-Saudi Employees" of this Section 2 "Risk Factors").

If the Company relies on a high percentage of non-Saudi employees, this will lead to an increase in government fees that the Company bears for every non-Saudi employee in terms of work licenses and residence permits, which leads to an increase in the costs of the Company in general and this will adversely affect the Company's business, financial position, results of operations and future prospects.

2.1.20 Risk Related to Risk Management Policies

The Company follows the risk management policies and makes continuous follow-up and update to them through the Risk Management Committee, and then submits recommendations to the Board of Directors. This is in line with the implementing regulations of the Cooperative Insurance Companies Control Law and Risk Management Regulations for insurance companies issued by the Central Bank, which are evaluated and updated periodically. Failure to properly implement and update the policies, or the inability of the management to identify risks and evaluate them in a timely manner will expose the Company to various risks, including for example, 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 affects the Company's financial status and position, results of operations and future prospects.

2.1.21 Risks Related to Investment

The Company's results of operations depend partially 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. The value of Investments was SAR 168,784 thousand, SAR 168,453 thousand and SAR 82,678 thousand as at 31 December, 2020G, 2021G and 2022G, respectively (for more information, please refer to Subsection (5.8.1.6) "Investments" of Section (5) "Financial Information, and Management Discussion and Analysis" of this Prospectus). Inability of the Company to balance its investment portfolio and its suitability with its liabilities, will lead to poor investment performance of the portfolio and may lead to the liquidation of its investments at inappropriate times and prices. Managing these investments requires an effective management system, follow-up, and a high ability to choose the quality and diversity of investments. In the event of a decrease in the Company's returns resulting from the investments, this will lead to the Company incurring losses that may negatively and materially affect its financial status and position, results of operations and future prospects.

2.1.22 Risks Related to Poor Assessment of Risks

The Company studies potential risks before issuing insurance policies to the applicants based on the reports of the actuary expert who examines the patterns of risk development and future prospects based on historical performance. In the event that potential risks are not estimated accurately, this may lead the Company to incur losses that adversely and materially affect its financial status and position, results of operations and future prospects.

2.1.23 Risks related to the Financial Performance

The Company received letter No. (44036229) dated 26/04/1444H (corresponding to 20/11/2022G) from SAMA to approve its capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals through a Rights issue, and the extension letter dated 28/10/1444H (corresponding to 18/05/2023G) in which SAMA approves the extension of its renewal to increase the capital of the Company through a Rights issue, from after submitting the future work plan. The Company's plan is based on assumptions, the most important of which is the digital transformation, using of the latest technology, developing customer's experience, reducing the operational costs, reducing the insurance claims and progressive growing in written premiums and improvement of technical performance of the main sectors. There is no guarantee that the Company will implement the entire assumptions. Inability of the Company to apply specific assumptions, will adversely and significantly affect its business, results of operations, financial position, and future prospects.

2.1.24 Risks related to Dependence on Key Personnel and Attraction of Competencies

The Company depends on the experiences and capacities of key 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, as it depends on how far it will be successful in maintaining relationship with brokers by retaining its employees and ensuring their continuity, and its ability to attract new qualified staff and ensure continuity of their retention.

There is no assurance that the Company can retain the services of its employees or upgrade their skills. The Company may also need to increase the salaries to ensure the continuity of its employees or attract new staff with appropriate qualifications which may have negative impact on the Company's financial status. All this may lead to the difficulty of maintaining some employees and the loss of one or more members of its senior management, sections or departments may obstruct the implementation of its work strategy. This will have a negative impact on its business, financial status and results of operations.

2.1.25 Risk of Cancellation or Non-renewal of Insurance Policies

The Company operates in a competitive insurance market. Since insurance policies term is short in nature, the Company may not be able to continue renewing insurance policies issued or to be issued in the future as expected. In case of non-renewal or cancellation of policies by policyholders, the level of written premiums by the Company will be adversely and materially affected in the coming years, which may affect the Company's business, financial position, and future prospects.

2.1.26 Risks related to Translation of Insurance Policies

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

2.1.27 Risks related to Availability of Funding in Future

The Company's ability to obtain funding for its business from financing sources depends on several factors, including factors related to its ability to obtain regulatory approvals as well as its financial status and creditworthiness. If the Company needs additional funding in the future to expand its activities or products, or to improve its financial solvency, it may have difficulty obtaining financing sources or obtains them at an inappropriate cost and terms. As well, if obtaining additional funding requires the Company to increase its capital, this may reduce the percentage of ownership held by existing shareholders. The difficulty in obtaining the appropriate financing in the future will have a negative impact on the Company's business, results of operations, financial position, and future prospects.

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

The increase in the Company's liabilities may pose a risk to the general financial status of the Company and its financial solvency, as the percentage of total liabilities and accumulated surplus reached 71% of total assets as of December 31, 2020G, 84% of total assets as of December 31, 2021G and 95% of total assets as at December 31, 2022G. The liquidity rate was 2.09x, 1.78x, 2.35x as of December 31, 2020G, 2021G, and 2022G. The cash amounted to 1.65x, 1.28x and 1.66x as at December 31, 2020G, 2021G and 2022G. Accordingly, the increase in the Company's liabilities and accumulated surplus will adversely affect its financial position and increase financing costs. If that occurs, it will be difficult for the Company to fulfill its obligations and will have a negative impact on the Company's business, financial status, results of operations and future prospects. (For more information, please refer to Subsection (5.8) "Statement of Financial Position" of Section (5) "Financial Information, and Management Discussion and Analysis" of this Prospectus).

2.1.29 Risks related to Cheating in Insurance Usage and Claims and other Fraudulent Activities

The Company is vulnerable to cheating and fraudulent dealings from various sources, such as its suppliers, brokers, customers and other parties. This includes customers who provide incorrect statements or fail to fully disclose the covered risks before purchasing insurance coverage, and policyholders who make fraudulent claims or exaggerate those claims. It should be noted that the technical methods applied to cheating and fraud practices are constantly evolving, so they are difficult to detect. The Company does not guarantee non-occurrence of any cases of cheating or fraud in any aspect of the Company's business, which in turn will lead to a negative and material impact on the Company's performance, operations and future plans.

2.1.30 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, this increases insurance companies - including the Company- exposure to risks of piracy and electronic attacks as well as deliberate penetration to data, networks and software. In addition, increasing the use of cloud services for data storage may lead to the increase in the Company's vulnerability to the risk of IT system failure in general. For example, an electronic attack on the insurance network may lead to the Company's disability to provide services to its customers, which may damage its reputation and cause loss in revenues or financial penalties. Therefore, any failure to protect or use the data properly may cause loss of customer data or unauthorized access.

The Company's IT systems are also subject to external and internal risks, such as malware, code defects and attempts to hack into the Company's networks and lack of updates, required modifications, data leaks and human errors. All that poses a direct risk to the Company's services and data. Other threats include equipment failure, physical attacks, stealing customer information, fire, explosion, floods, extreme weather conditions, power outages and other issues 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 severely get affected, and any system malfunction, accident or hacking 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 income and operations. These disorders may also affect the Company's image and reputation and reduce its customers' confidence, which may result in the loss of some of its customers. In addition, the Company may have to bear additional costs to reform any damage caused by these disorders, 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.

2.1.31 Risks related to Trademark Protection

The Company's ability to market its insurance products and develop its business depends on the use of its name, logo and trademark that support the Company's business and market position.

On 06/06/1427H (corresponding to 02/07/2006G), the Company registered its own trademark under the name "Saudi IAIC Cooperative Insurance Company".

However, on 03/08/1433H (corresponding to 23/06/2012G), the Extraordinary General Assembly of the Company's shareholders approved amending its name to "Salama Cooperative Insurance Company". On 02/08/1433H (corresponding to 01/07/2012G), the Company submitted a request to the Ministry of Commerce to amend its trademark registration certificate, but the relevant legal procedures have not been completely fulfilled. On 28/04/1436H (corresponding to 17/02/2015G), the Company submitted a new application to amend the trade name in the certificate. To date, no trademark registration certificate has been issued for Salama Cooperative Insurance Company. The Company is following up this issue with the Saudi Authority for Intellectual Property. (Please refer to Subsection (9.12) "Trademarks and Intellectual Property" of Section (9) "Legal Information").

The Company's reputation will be affected by any infringement of property rights or unlawful use of its trademark. Therefore, the Company may be forced to enter into costly legal proceedings and designate some of its administrative staff to focus on these proceedings that seek to protect its trademark. The Company failure up to the date herein to effectively protect its trademark when renewing the registration certificate or failure to track similar trademarks will have adverse effect on its value, which will negatively affect the Company's business, results of operations, financial position and future expectations.

2.1.32 Risks related to Occurrence of Natural Disasters and Work 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 no limited to, snow or sandstorms, 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 their frequency and severity of each event and reinsurance arrangements developed by the Company. Despite the Company's efforts to reduce its exposure to these events, determine an 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 prospects.

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, in the event that the Company is unable to continue providing its products with the same level of quality, this will adversely affect its reputation, and thus make customers reluctant to deal with it. This will negatively affect the Company's sales and accordingly the results of its operational and financial transactions.

2.1.34 Risks related to Corporate Governance

The Corporate Governance Regulation was issued under CMA Board resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by the Royal Decree No. (M/3) dated 28/1/1437H as amended by the CMA Board resolution No. (8-5-2023) dated 25/6/1444H (corresponding to 18/01/2023G). The Regulation includes more stringent obligatory clauses than the old one.

The Company has updated its corporate governance regulations to conform with all the requirements of both the CMA Corporate Governance Regulations and the Saudi Central Bank's Corporate Governance Regulations, the amendments of which were approved by the Board on 26/06/2022G.

However, the Company is not committed in its Regulations to the following mandatory articles stipulated in the Corporate Governance Regulations issued pursuant to CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by the Royal Decree No. (M/3) dated 28/1/1437H as amended by CMA Board Resolution No. (8-5-2023) dated 25/6/1444H (corresponding to 18/01/2023G):

- Article (13) (C) of the Corporate Governance Regulations, which stipulates that the general and shareholders assemblies shall be held at the Board invitation in accordance with the circumstances stipulated in the Companies Law, its implementing regulations, and the Company's Articles of Association. The Board shall invite the Ordinary General Assembly to convene within thirty days from the date of request submitted by the auditor, the audit committee, or a number of shareholders whose ownership represents at least 10% of the Company's shares having voting rights. The auditor may invite the Ordinary General Assembly to convene if the Board does not

do within thirty days from the date of the auditor's request: The Company shall not be restricted to the percentage of partners who are entitled to invite the Assembly to convene, as it is stipulated in its Regulations that a number of shareholders whose ownership represents 5% of the Company's shares having at least voting rights are entitled to invite the Assembly to convene.

- Article (88) (B) of the Corporate Governance Regulations stipulating that a copy of the audit committee report shall be made available at the Company's Headquarters and published on the Company's website and Tadawul website when publishing the invitation to convene the General Assembly to enable any shareholder wishing to obtain a copy thereof. A summary of the report shall be recited during the General Assembly meeting.
- Article (56), Paragraphs (2) and (3) of the Corporate Governance Regulations stipulating that the following are the Audit Committee's powers:
 - A. Request any clarification or statement from the Board members or the Executive Management.
 - B. Request the Board to convene the Company's General Assembly if the Board obstructs its work or if the Company suffers serious damages or losses.

Additionally, the Company is not committed in its Regulations to the following non-mandatory articles stipulated in the Corporate Governance Regulations issued pursuant to CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by the Royal Decree No. (M/3) dated 28/1/1437H as amended by CMA Board Resolution No. (8-5-2023) dated 25/6/1444H (corresponding to 18/01/2023G):

- Article (84): Upon a proposal from the Board, the Ordinary General Assembly shall set a policy ensuring the balance between its objectives and the objectives the community aspires to achieve to develop the community's social and economic circumstances and the reason for non-application thereof: Because it is a non-binding indicative article.
- Article (90) (4/B): Five of the senior executives who received the highest remuneration from the Company, including the Chief Executive Officer and Chief Financial Officer. This is partially applied and the reason for not being fully applied: The Company has committed to disclose the components of senior executives' remunerations in total, in accordance with the regulatory requirements contained in Article (90) (4/B) of the Corporate Governance Regulations, but to protect the interests of the Company, its shareholders and employees, and to avoid any damage that may result from detailed disclosure by titles and positions, the details were not presented as contained in the senior executives appendix of the Corporate Governance Regulations, pursuant to Article (60) (B) of the Rules for Offering Securities and Continuing Obligations.

The Company is not compliant with the Bylaws and the Corporate Governance Regulations issued by the CMA's Board of Directors and the Insurance Companies Governance Regulations issued by the Saudi Central Bank in terms of the mandatory appointment in the position of Secretary of the Board of Directors. This position is still vacant for Board of Directors' new tenure that commenced on 11/09/2022G for three years, ending on 10/09/2025G. The Company's failure to comply with the Corporate Governance Regulations may expose it to fines imposed by the Capital Market Authority, which may have an adverse and material impact on its business, results of operations, financial status and future prospects.

The CMA may impose fines on the Company if it fails, represented by its Board of Directors and Executive Management, to apply the best governance practices.

2.1.35 Risks related to the Outbreak of the Coronavirus "COVID-19"

The outbreak of the novel coronavirus (COVID-19) began in December 2019G. In March 2020, the World Health Organization declared the virus a global pandemic and it has adversely affected most business sectors around the world. With the virus outbreak, most countries took precautionary measures to limit its fast spread. The Government of Saudi Arabia hastened to take strict decisions in this regard, resulting in, but

not limited to, imposing a partial or total curfew in some cities and governorates of the Kingdom during the year 2020G, closing airports, partial closure of commercial complexes and all activities within them, with the exception of food stores and pharmacies, and reducing the number of working hours for some sectors and forcing some of them to work remotely.

The 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 its spread. It cannot guarantee that there will be no future consequences that will adversely and significantly affect the Company's business, financial status, results of operations, and future prospects.

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

The Company is currently complying with the Anti-Money Laundering and Combating the Financing of Terrorism Regulations issued by the Saudi Central Bank, the rules for combating money laundering and terrorist financing for insurance companies, the Anti-Money Laundering Law and its implementing regulations, Law of Combating Crimes of Terrorism and its Financing and its implementing rules. These regulations clarify the procedures that must be taken upon accepting any customer, (whether an individual or a company), and clarify the due diligence procedures that must be followed as well as the procedures for reporting suspicious transactions and other procedures. The Company is currently storing information about its customers through their computer systems. In the event that the Company does not comply with the anti-money laundering and combating terrorist financing regulations, this will give rise to legal liability, and consequently result in imposing files and/or penalties on the Company.

In the event that the Company does not comply with the anti-money laundering and combating terrorist financing regulations, this will result in imposing penalties by the regulatory authorities, and consequently, will have a negative material impact on the Company's business, financial status, 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 new customers, retain them and establish a strong relationship with counterparties. The Company's reputation can be harmed in future as a result of several factors, including but not limited to, decline or amending its financial results, legal or regulatory actions against the Company, or behavior of any of its employees, who may cause the Company to violate the applicable legal requirements. The damage to the Company's reputation will adversely affect its business, financial status, results of operations, profitability of shares and future prospects.

2.1.38 Risks Related to Inadequate Insurance Coverage

The Company has no health insurance policy covering its employees. As well, the Company property are not covered by an all-risks insurance policy or any other insurance policies related thereto.

The Cooperative Health Insurance Law stipulates that the employer must insure the employee from the date of his employment. It obliges the employer to pay all the premiums payable, in addition to paying a fine not exceeding the annual contribution for each employee, with the possibility of denying the employer of recruiting workers for a permanent or temporary period, if his employees are not insured. The Company is not currently compliant with this.

Currently, the Company is not covered against all losses incurred by the Company and no guarantee can be given that it will not incur any losses in the future. This will adversely affect its business, financial status, results of operations, profitability of shares and future prospects.

2.1.39 Risk of Employee Misconduct or Errors

Although the Company applies internal work regulation, approved by the Ministry of Human Resources and Social Service and the Company's employees are all informed of it, the Company cannot guarantee avoidance of employee's misconduct or errors such as cheating, deliberate and unintentional errors, embezzlement, fraud, theft, forgery and abuse of property and disposal on behalf of the Company without getting required administrative delegations. Such actions may result in consequences and responsibilities held by the Company, or regular penalties, or financial responsibility, which may adversely affect the Company's reputation. So, the Company cannot guarantee that the misconduct or violations by its employees will not cause substantial and negative damage to its business, financial status, results of operations and future prospects.

2.1.40 Risks related to insufficiency of internal control systems and procedures.

The Company's control procedures are continuously reviewed by the Internal Audit Department by following a risk-based systematic and organized approach to ensure efficiency of control procedures and provide the necessary recommendations for improvement thereof to enhance and protect the Company's value and help reach its objectives. The Audit Committee and the Board receive periodic reports on the audit results which are discussed with the executive management and correction of observations contained therein are followed up. After reviewing the internal audit reports for the year 2022G submitted by the internal audit team, the external auditor's report and the Compliance Department, the Audit Committee found that there is a material weakness in the internal control systems and procedures developed by the Company and that the Company's internal control system needs to develop some of its components and develop risk control tools applied by the Company to keep pace with the business volume and the Company's requirements. Insufficient internal procedures and systems may lead to a breach of the Company's information safety and security and breach of compliance with laws, regulations and internal policies and affect the Company's effective and efficient decision-making. Therefore, this will cause a material negative impact on the Company's business, financial position, results of operations and future prospects.

2.1.41 Expected future risks.

The Company expected a number of risks that may occur in the future and affect its business and the results of its operations. The Company believed that it is exposed to the following risks:

- Operational risks, including (1) IT risks which occur as a result of error or failure in the course of the Company's business, (2) claims settlement risks which are related to the payment of claims to policyholders based on policy coverage, (3) credit risks which arise generally from inability of other parties to fulfill their obligations on time.
- Strategic risks, including (1) cybersecurity risks which is any risk causing disruption or damage to the organization resulting from breaches of data and information security, (2) corporate governance risks which are related to the rules imposing how rights and responsibilities are shared amongst the Company's various shareholders, key directors and administrators, and other financial shareholders.
- Underwriting risks, including (1) pricing risks resulting from the process through which the Company tries to determine the appropriate premium price, (2) products risks which are related to changes to an existing product to meet customer needs. Such changes may affect product coverage and requirements creating risk, (3) reinsurance risks which are related to transferring part of the risks to the reinsurer.
- Compliance risks, including (1) non-compliance risks resulting from violation of laws and regulations, (2) Anti-money laundering which are the risks affecting the Company and its reputation due to misusing it in money laundering or terrorist financing operations.

The Company cannot predict whether such risks will occur in the future and how they will affect the Company's business and financial position.

2.1.42 Risks of business concentration in motor insurance sector

The Company's insurance business is concentrated on motor insurance representing 75% and 79% of the total insurance premiums written in 2021G and 2022G, respectively (please refer to subsection (5.7.1) "Sectoral Information" of Section (5.7) "Statement of Income").

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

2.1.43 Risks of geographical concentration in the western region

The insurance business carried out by the Company is concentrated in the western region representing 45.82% and 54.43% of the total insurance premiums written in 2021G and 2022G, respectively. The business is concentrated in the western region due to the presence of the Company's headquarters in Jeddah (the western region). Demand on credit products offered by the Company and the profits it generates therefrom in the western region may decrease as a result of a variety of factors, such as demographic changes, changes in customer choices or financial conditions, or availability of competing products in this region. Decline in demand on the Company's products in the western region will have a negative impact on the Company's business, financial position, results of operations and future prospects.

2.2 Risks Related to Market and Industry

2.2.1 Risks related to Compliance with Laws and Regulations

The Company is subject to the prevailing laws and regulations in the Kingdom related to the insurance sector in particular, including the Companies Law, the Cooperative Insurance Control Law and its Implementing Regulations. It is also subject to supervision by the Saudi Central Bank, which is responsible for organizing the insurance sector in the Kingdom, including policies, rules, licenses, competition, investment allocation, service standards, technical standards and settlement arrangements.

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

As a listed company, the Company is subject to laws implementing regulations, rules and requirements of the CMA and Tadawul. The CMA obliges the listed companies to comply with the rules of offering securities, the persistent commitments and special instructions issued by the CMA and the listing rules issued by Tadawul, in particular the obligation to periodically disclose the significant and financial developments and the report of the Board of Directors. Insurance companies shall also be committed to announce their financial results in accordance with models approved by the CMA, which shall include clear data such as surplus (deficit) of insurance operations deducting from it 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 in the corresponding quarterly or annual period. In accordance with the persistent commitments guide for listed companies, the annual financial results should be published on Tadawul website derived from the audited financial statements and approved by the Company external auditor designated by the Assembly and approved by the Board. It is required to comply with the models of announcements mentioned in the instruction for the companies' announcements of

their financial results. The Company shall also provide a statement of all reasons and effects of change in financial results for the current financial year with the comparison period, including reasons for all financial result announcement items.

It should be noted that a number of fines have been imposed on the Company during the past year as follows:

Company has committed some procedural irregularities resulting from inspection visits made by SAMA which are as follows:

1. Risks relating to Cyber Security violations amounting in total to Five Hundred Thousand Saudi Riyals (SAR 500,000) as mentioned in the Company's Annual Report:
 - On 16/03/1444H (corresponding to 12/10/2022G), SAMA recorded a violation to its instructions on cyber security risks, which resulted in a SAR 500,000 fine on the Company.
2. Risks relating to violation of the supervisory and control instructions of SAMA amounting in total to Three Hundred Sixty Five Thousand Saudi Riyals (SAR 365,000) as mentioned in the Company's Annual Report:
 - On 05/01/1444H (corresponding to 03/08/2022G), SAMA recorded a violation to SAMA's supervisory and control instructions, which resulted in a fine of SAR 200,000 on the Company.
 - On 10/10/1443H (corresponding to 11/05/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 80,000 fine on the Company.
 - On 29/11/1443H (corresponding to 28/06/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in SAR 20,000 fine on the Company.
 - On 30/07/1443H (corresponding to 03/03/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 60,000 fine on the Company.
 - On 23/07/1441H (corresponding to 18/03/2020G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 5,000 fine on the Company. Notwithstanding that the fine was issued in 2020G, the Company paid the fine during the same year, but it was recorded in the Company's accounts during the year 2022G and appeared in the Board Report for the year 2022G. The delay in recording the fine was due to the Covid-19 virus.

As such the total amount of the fines relating to the violation of SAMA's supervisory and control instructions is Three Hundred Sixty Five Thousand Saudi Riyals (SAR 365,000) out of which Three Hundred Sixty Thousand Saudi Riyals (SAR 360,000) with respect to the year 2022 and an amount of Five Thousand Saudi Riyals (SAR 5,000) with respect to the fine issued on 23/07/1441H (corresponding to 18/03/2020G).

In addition to the abovementioned fines of the Central Bank, a fine was recorded by the Council of Health Insurance on 19/12/1444H (corresponding to 15/09/2022G) amounting of (252,700) Saudi riyals.

Also, the following violations have been recorded by the General Organization for Social Insurance:

- Fine for invalid employee dismissal: 1,000 Saudi Riyals. The fine was issued on 18/05/1443H (corresponding to 22/12/2021G) which has been paid by the Company on 20/06/1443H (corresponding to 23/01/2022G) and recorded in the Company's accounts as mentioned in the Board Report for the year 2022.
- Fine for late dues payment for March 2022G: 30,000 Saudi Riyals.
- Fine for late dues payment for May 2022G: 30,000 Saudi Riyals.
- Fine for late dues payment for July 2022G: 10,000 Saudi Riyals.

On 27/03/1443H (corresponding to 02/11/2021G), Jeddah Municipality issued a municipal fine amounting to seven hundred (700) Saudi Riyals. Although the fine was issued in 2021, however it was paid by the Company during the year 2022 and recorded in the Company's 2022 accounts as mentioned in the Board Report for the year 2022.

It should be noted that for the solvency of the public stock companies, the CMA board issued on 25/06/1444H (corresponding to 18/01/2023G) the decision No. (8-5-2023) modifying the procedures and instructions for listed companies in the market which have accumulated losses of (50%) and more of their capital in light of the new Companies Law. They were modified to become “procedures and instructions for listed companies in the market which have accumulated losses of (20%) and more of their capital”.

CMA has committed companies listed on the capital market by following the instructions for announcements of the joint stock companies listed on the capital market issued by the CMA Board resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G) based on the Companies Law issued by the Royal decree No. M/3 dated 28/01/1437H and amended by CMA Board Resolution No. 2-26-2023 dated 05/09/1444H (corresponding to 27/03/2023G) based on the Companies Law issued by the Royal Decree No. M/132 dated 01/12/1443H.

The Company’s failure to comply with these laws, rules and requirements will expose it to penalties, including imposing fines and suspending of shares up to cancelling the Company shares listing in (Tadawul), which will adversely and materially affect the Company’s operations, financial position, 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 partial 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 works within the Kingdom’s economic system and it is affected by the government spending rates.

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

2.2.3 Risks related to Political and Economic Instability in the Region

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 also faces challenges related to the relatively high population growth rates. All these factors may negatively impact the Kingdom’s economy, which will adversely and materially affect the Company’s business, results of operations, financial position and future prospects.

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

Major unexpected changes in the political, economic, or legal environment in the Kingdom and/or any other countries in the Middle East, include, but not limited to, normal market fluctuations, economic stagnation, insolvency, high unemployment rates, technological transformations, and other developments. These changes may adversely and materially affect the Company’s business, results of operations, financial position and future prospects.

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

The Company is subject to the supervision of a number of government agencies in the Kingdom, including, but not limited to, the Central Bank, the Council of Health Insurance, the Capital Market Authority (CMA), 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, that may lead to incurring unexpected additional financial expenses by the Company for purposes related to compliance with those regulations and meeting the requirements of these laws. Otherwise, the Company may be subject to penalties and fines imposed by the competent supervisory authorities if it continues non-compliant with these regulations and laws, which will negatively affect its business, results of operations, financial position and future prospects

2.2.5 Risks related to Withdrawing the License to Conduct Insurance Activities

The Company obtained a license to practice its insurance activities from the Central Bank (SAMA) under No. (TMN/4/20079) dated 29/08/1428H (corresponding to 11/09/2007G), to practice the insurance activity in general insurance and health insurance in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. There have been three (3) renewals to the license, which will now expire on 26/08/1446H (corresponding to 25/02/2025G).

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

- 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;
- Intentionally providing SAMA with false information or data;
- 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;
- Insolvency that makes the company unable to meet its obligations;
- 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.

In the event that any of the above-mentioned cases applies, the Company will be liable to withdrawal of the license to practice its insurance activities and accordingly will not be able to continue carrying out its activities in a regular manner in the Kingdom of Saudi Arabia. This will have a negative impact on its business and thus adversely affect its business, results of operations, financial position, 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 government of Saudi Arabia has taken a number of 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 01/01/2018G, by (SAR 400) per month for every non-Saudi employee in 2018G, increasing to (SAR 600) per month in 2019G, and then to (SAR 800) per month in 2020G. This will increase government fees to be paid for the Company's non-Saudi employees, and consequentially increase the overall costs for the Company, which may adversely and substantially affect the Company's business, financial performance and results of operations. The fees applicable to non-Saudi employees amounted to 1.071 thousand Saudi Riyals, 727 thousand Saudi Riyals and 585 thousand Saudi Riyals as at December 31, 2020G, 2021G and 2022G, 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 have gradually increased 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 employee will bear on behalf of his family may lead to an increase in the cost of living for him, which will lead him to look for work in other countries where cost of living is lower. If such thing occurs, the Company will face difficulty in maintaining its non-Saudi employees, which may force it to bear directly these costs or part of them, on behalf of non-Saudi employees, or indirectly by raising wages of its non-Saudi employees, which will lead to an increase in the Company's costs, and thus will have a negative and material impact on its business, financial performance and results of operations.

2.2.7 Risks related to Adjustments to Accounting for Zakat and Income Tax by the Central Bank

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

The Company's audited financial statements for the financial year ending December 31, 2019G, 2020G and 2021G, and the unaudited interim financial statements ending September 30, 2021H and the accompanying exhibits were also prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Organization for Certified Public Accountants (SOCPA), and amended by the Central Bank to account for Zakat and income tax based on the instructions issued by the Central Bank on 20/11/1440H (corresponding to 23/07/2019G) which provide for updating the treatment accounting policies for accounting for Zakat and income tax in the statement of income, instead of calculating them on a quarterly basis through shareholders' equity in previously retained earnings. The Company has retrospectively adjusted the effect in line with International Financial Reporting Standards (IFRS) (for more information, please refer to Section (5) "Financial Information, Discussion and Management Analysis").

The Company is obligated in this case to apply 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 the Competitive Environment

The competitive environment in the insurance sector is steadily increasing, with the number of companies licensed for insurance activity in the Kingdom as at the date of this Prospectus is 27 companies competing to increase their market shares. The Company's competitive position depends on many factors that include the strength of its financial position, the geographical scope of its business, customer relationship, the volume of written premiums, the terms and conditions of issued insurance policies, and the services and products provided including the Company's ability to design insurance programs according to market requirements, as well as the speed of claims payment, reputation, the employees' experience and competence and presence in the local market.

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

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

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

2.2.9 Risks related to the Lack of Cultural Awareness of Insurance and Its importance

The society's view of the insurance sector is a key factor for the sector's success. There is thus a risk of the view in general as the society believes that the sector does not play an essential role or its scope of services may not be compliant with the Takaful and Sharia principles. The society may lose its confidence in the sector, which may negatively affect the Company's business, financial position and future prospects.

2.2.10 Risks related to the Decline of Client Confidence

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

2.2.11 Risks related to Reporting Requirements

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

The Company could also be subject to penalties and fines if it fails to meet the requirements of the Capital Market Authority, rules for offering securities, ongoing obligations and disclosures applied in the Saudi Stock Exchange (Tadawul). This may adversely and substantially affect the Company's business, financial position and future prospect.

2.2.12 Risks related to obtaining approvals to launch new products or renew existing products

The Company must obtain the Central Bank's approval before marketing and offering any insurance products under the Cooperative Insurance Companies Control Law and its Implementing Regulations. As at the date of this Prospectus, the Company has obtained approvals from the Central Bank for the sale of 30 products.

It is worth noting that the Company obtained the approval of the Central Bank "approval of the file and use" and not a final approval of the commercial liability insurance policy product. This approval has expired on 23/02/2017G.

Any delay in obtaining approvals for new products or renewing approvals for existing products will adversely and materially affect the Company's business, results of operations, financial position and future prospects.

2.2.13 Risks related to non-Compliance with the Regulations of the Council of Health Insurance (CCHI)

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

2.2.14 Risks of Fluctuations in Exchange Rates

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

2.2.15 Risks related to the Scarcity of Qualified Local Cadres in the Insurance Sector

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

2.2.16 Risks related to Insurance Business Cycle

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

2.2.17 Risks related to Insurance Market Growth

The growth rate of the insurance market in the Kingdom may not be as high or stable as currently expected by the Company. The influence on the insurance market in the Kingdom as a result of increased growth rate in the number of insured in conjunction with economic and population growth in the Kingdom, as well as continued development in the area of social welfare, population changes, opening insurance market in the Kingdom for foreign companies and the continued integration and acquisition of existing insurance companies to form larger partnerships with a broader presence is for the time being an unclear future in general. Therefore, the growth and development in the insurance market in the Kingdom is subject to several uncertain expectations and beyond the Company's control and may negatively and materially affect the Company's business.

2.2.18 Risks related to Inability to Comply with Saudization Requirements and GOSI Requirements

The Ministry of Human Resources and Social Development implements a program that is designed to encourage companies to employ Saudi citizens and increase their percentage of the company's total employees. According to (Nitaqat) program, the Company's compliance with Saudization requirements is measured by the proportion of the Saudi citizens working for the Company compared to the average Saudization in companies operating in the same sector.

Although the company has achieved the ratio of (73.4%) as at the date of this Prospectus and it is classified within the Platinum range of Nitaqat program, there is no guarantee that the Company will continue to maintain the required Saudization rate within the regulatory specified levels, where it may be subject to penalties of not being committed to the decisions issued in this regard, which reach the suspension of employment visas for the Company or the transfer of non-Saudi employees or excluding the Company from participating in government tenders, which may adversely affect the Company's business and results of operations.

2.2.19 Risks related to Value-added Tax (VAT)

The Kingdom applied 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, according to the provisions of the Law. On 18/05/2020G, the VAT rate was modified from (5%) to (15%) effective as of 01/07/2020G. Accordingly, the Company must adapt to the changes resulting from the application of the VAT, which include its collection and delivery. However, any violation or wrong application of the Tax Law by the Company's management will expose it to fines, penalties or damage to its reputation. This will also increase costs and operating expenses, which could reduce the Company's competitive position and the level of demand for its products, which will have an impact on the Company's results of operations and future prospects.

2.2.20 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 increasing the possibility of additional competition. The Company may deem a need for or appropriate to modify its operations in accordance with these Laws and may bear additional costs in this regard, and thus will have a substantial negative impact on the Company's operations, financial position and future prospects. In addition, the non-compliance with these Laws and regulations will lead to administrative, criminal sanctions or suspension or termination of its operations.

2.2.21 Risks related to not-Controlling of Prices

The Company is committed to follow the recommendations of the actuarial advisor reports and the instructions of the Central Bank with regard to pricing the insurance policies. The recommendations of those reports and the instructions of the 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 customers, and may lose its current customers, and consequently direct them to other companies. Any material change in future prices will affect the Company's share in the market and thus affect its sales and results of operations.

2.2.22 Risks related to Non-compliance with Official Regulations and Instructions

The company is always seeking to comply with the laws and regulations prevailing in the Kingdom. However, non-compliance with official instructions and regulations may lead to sanctions that will adversely affect the Company. Except for what was disclosed in subsection (9.10.3) "Continuing Obligations imposed by government entities on the Company in its capacity as a "License Holder" of section (9) "Legal Information", the Company, as at the date of this Prospectus, is in compliance with all articles of the Companies Law and all mandatory articles in the Corporate Governance Regulations issued by the CMA. If, in the future, the Company fails to comply with some articles of the Companies Law or some mandatory articles in the Corporate Governance Regulations, or if some or all of the indicative articles in the Corporate Governance Regulations become mandatory, and the Company does not apply and comply with them, this will expose it to statutory sanctions and fines, which will adversely and materially affect the Company's business, results of operations, financial position and future prospects.

2.3 Risks related to the Offered Securities

2.3.1 Risks related to Potential Fluctuations in the Share Price

The market price of the Rights during the trading period may not be an accurate indication of the market price of the Company's shares after the Offering. Also, the Company's share price may not be stable and may be greatly subject to fluctuations due to changes in the market conditions related to the current rights or shares of the Company. Such fluctuations may be caused by many factors, including, but not limited to, market conditions related to the shares, or by changes in the circumstances and trends of the sector, the degradation of the Company's performance and failure to implement future plans, entry of new competitive companies or advertisements by the company or its competitors on mergers, acquisitions, strategic alliances, joint ventures and changes in financial performance estimates through securities experts and analysts.

There is no guarantee that the market price of the Company's shares would not be lower than the Offering Price, and if this happens after investors' subscription to the new shares, their subscription cannot be canceled or modified. Accordingly, investors may incur losses as a result of that. In addition to the foregoing, there is no guarantee that a shareholder will be able to sell his shares at a price equal to or higher than the Offering Price after subscribing to the new shares.

Also, sale of large quantities of shares by shareholders after the offering or expecting that can negatively affect the share price in the market. In addition, the investors face the risk of not being able to sell their shares in the market without adversely affecting the share price.

2.3.2 Risks related to Potential Fluctuation and Speculation in the Price of the Rights

The market price of the rights issue may be subject to heavy fluctuations due to a change in factors affecting the Company's Share. This fluctuation may be large due to the difference between the permissible daily fluctuation rate for rights trading prices, compared to the range of permissible daily fluctuation rate for shares (10% up or down). In addition, the rights trading price depends on the trading price of the Company's shares and the market's view of the potential price of the rights, therefore, these factors and other factors included in the above-mentioned risk factor (Potential Fluctuation in the Share Price) could affect the rights trading price.

2.3.3 Risks related to non-Profitability or Selling of Right Issues

There is no guarantee of profitability of the share by trading it at a higher price, or even a guarantee at all to be able to sell the share. It should be noted that there is no assurance of having sufficient demand in the market to exercise rights or receive compensation from the Company.

2.3.4 Risks Related to Trading in Rights Issue Shares

Speculation in Rights Issue Shares is subject to risks that may cause substantial losses. The permissible daily fluctuation rate for rights trading prices ("Indicative Value of Rights") exceeds the range of permissible daily fluctuation rate for shares (10% up or down). There is also a direct correlation between the Company's share price and the Indicative Value of Rights. Accordingly, the daily price limits for trading the Right are influenced by the daily price limits for trading the share.

If a speculator does not sell the right issues shares before the end of the trading period, he will have to use these rights to exercise subscription in the new shares and may incur some losses. Therefore, investors must have full details of the mechanism for the listing and trading of Rights Issue Shares and how it works and should be aware of all the factors influencing it to ensure that any investment decision will be based on a full awareness and knowledge.

2.3.5 Risks of Lack of Demand for the Company's Right Issues and Shares

There is no guarantee that there will be sufficient demand for subscription in the Company's Rights during the Trading Period to enable the rights holder (Whether a registered shareholder or a new investor) of trading it at a higher price, or a guarantee at all to be able to sell the share. Also, there is no guarantee that there will be sufficient demand for the Company's 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 or do not subscribe for it at all, the compensation amount will not be sufficient in order to be distributed to the unexercised Rights holders and those entitled to fractions of shares. Moreover, there can be no guarantee that there will be sufficient market demand for the New Shares after trading starts.

2.3.6 Risks related to Potential Dilution of Ownership

If the rights holders do not subscribe fully to the new shares, their ownership and associated voting rights will be reduced out of the whole voting rights. There is also no guarantee that in case the rights holder is restricted to sell his rights during the trading period, the proceeds he receives will be sufficient to compensate him in full for the decrease in his ownership in the capital of the Company as a result of increasing its capital.

2.3.7 Risks related to Not Exercising the Rights in a Timely Manner

The Subscription Period starts on Thursday 25/04/1445H (corresponding to 09/11/2023G) and ends on Tuesday 07/05/1445H (corresponding to 21/11/2023G). The Right holders and the financial brokers representing them must take appropriate measure to follow all instructions

necessary to exercise their rights to subscription before the Subscription Period expires. If the Right holders and the financial brokers representing them fail to properly follow the procedures to trade the Rights, the subscription application may be rejected (Please refer to Section (12) "Information Related to the Shares and Offering Terms and Conditions"). If the shareholders are not able to properly exercise the subscription rights by the end of the Subscription Period, based on their rights, there is no guarantee that there will be a compensation amount distributed to the shareholders who have not exercised their right to subscription in the new shares.

2.3.8 Risks related to the Possibility of Issuing New Shares

If the Company decides to increase its capital through issuance of new shares (Other than the Rights issue shares mentioned in this Prospectus), and the shareholders have not exercised their rights by subscribing to the new Rights issue shares, the ownership of shares and its supplemental of the right to vote and obtain profits will decrease proportionally. In addition, any additional offering will have substantial effect on the market price of the share.

2.3.9 Risks related to Dividends

Future dividends will depend on, amongst other things, the Company's profitability and maintenance of its good financial position, capital requirements, distributable reserves, available credit for the Company, and general economic conditions. Increase in the Company capital may lead to dilution in the dividends in the future on the grounds that the dividends will be distributed to a larger number of shares as a result of such increase.

The Company gives no assurance that any dividends will actually be distributed, nor it gives any assurance as to the amount which will be paid in any given year. The dividends distribution is subject to certain restrictions and conditions stipulated in the Company's Articles of Association.

2.3.10 Risks related to Future Data

Some of the data contained in this Prospectus constitute a future data, but they are not a guarantee of the performance that would be in the future. These future data involve known and unknown risks and other factors that may affect the actual results and thus impact the performance of the Company and its achievements. There are many factors that may affect the Company's actual performance, achievements or results and lead to a significant difference from what is explicitly or implicitly anticipated in the data mentioned. In the event one or more of these uncertain risks or things happened or the assumptions relied on were confirmed inaccurate, the actual results may differ significantly from what is mentioned in this Prospectus.

2.3.11 Risks related to Suspension of Trading or Cancellation of the Company's shares as a Result of not Announcing its Financial Statements during the Regular Period

If the company is not able to publish its financial information during the regular period (30 days from the end of the financial period of the initial financial statements, and three months from the end of the annual financial period), the suspension procedures will be applied for securities listed in accordance with the listing rules, which states that Tadawul will suspend securities for one trading session following the end of the regular period. If financial information is not published in twenty trading sessions following the first suspended trading session, Tadawul will announce the re- suspension of securities of the company until it announces its financial results. If the company's shares continue to be suspended for six months without taking appropriate measures to correct this suspension, the CMA may cancel the listing of the company's securities. Tadawul will raise the suspension after one trading session following the announcement of the financial results of the company. However, if the company delayed the announcement of its financial results, or if it could not announce them during the regular period referenced above, this will cause the suspension of company's shares or cancelling their listing, which will negatively affect the interest of the shareholders and the company's reputation and results of operations. In addition, the Capital Market Authority may cancel the Company's right issue offering in case it deems that the offering is not for interest of the shareholders.

3. Company Background and Nature of Business

The following information should be read along with the other detailed information contained in this Prospectus, including the financial and other information in Section (5) "Financial information, and management analysis and discussion".

3.1 Company Overview

Salama Cooperative Insurance Company (the "Company" or "Salama") is a Saudi joint stock company incorporated under the Ministry of Investment's license No. (1/870) dated 13/09/1426H (corresponding to 15/10/2005G), the Council of Ministers Resolution No. (233) dated 16/09/1427H (corresponding to 09/10/2006G), and the Royal Decree No. (M/60) dated 18/09/1427H (corresponding to 11/10/2006G), and the Ministry of Commerce Resolution No. (112/K) dated 29/04/1428H (corresponding to 16/05/2007G). The Company operates under Commercial Registration No. (4030169661) issued and registered in Jeddah on 06/05/1428H (corresponding to 23/05/2007G). The Company's registered address is Jeddah: Al Madinah Road, Salama Tower, P. O. Box 7864 Jeddah 23525, Kingdom of Saudi Arabia.

The history of the Company in fact dates back to 1979G with the registration of Islamic Arab Insurance Company (Salama) in the UAE. Salama Cooperative Insurance Company is a pioneer in offering solutions of Shariah Compliant Insurance and is one of the first cooperative insurance companies licensed under the Cooperative Insurance Regulations. The Company is well-known for the quality of service and the security it provides to its valued customers.

The Company obtained approval of the Saudi Central Bank No. (TMN/4/20079) dated 29/08/1428H (corresponding to 11/09/2007G), to practice the insurance activity in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations.

The Company exercises general insurance and health insurance activities in the Kingdom of Saudi Arabia through its licensed branches in Jeddah, Makkah, Riyadh, Dammam and Buraidah, in addition to a number of points of sale distributed in most cities and regions according to the principle of cooperative insurance.

On 03/08/1433H (corresponding to 23/06/2012G), the Company's name was amended in accordance with the Extraordinary General Assembly Resolution to become "Salama Cooperative Insurance Company".

The Company's current capital is one hundred million (100,000,000) Saudi Riyals divided into ten million (10,000,000) ordinary shares with a nominal value of ten (10) Riyals per share, fully paid.

3.2 Significant Changes in the Capital of the Company

The Company's capital upon incorporation was one hundred million (100,000,000) Saudi Riyals divided into ten million (10,000,000) ordinary shares with a nominal value of ten (10) Riyals per share, fully paid. The Founding Shareholders have subscribed to six million (6,000,000) shares, constituting (60%) of the total shares of the Company, and have paid their value in full. The remaining four million (4,000,000) shares, which constitute (40%) of the Company's Shares were offered for public subscription under the laws and regulations of the Saudi Capital Market Authority during the period from 27/02/1428H (corresponding to 17/03/2007G) to 07/03/1428H (corresponding to 15/04/2007G) at a subscription price of ten (10) Saudi Riyals per share. On 07/05/1428H (corresponding to 23/05/2007G), the Company was listed in the Saudi Stock Exchange "Tadawul".

On 14/08/1435H (corresponding to 12/06/2014), the Company's Board of Directors recommended to increase the Company's capital to comply with the requirements of financial solvency, the Company obtained the approval of the Saudi Central Bank under letter No. 351000147528 dated 01/12/1435H (corresponding to 25/09/2014G) to increase its capital by an amount of one hundred and fifty million (150,000,000) Saudi Riyals through a Right issue. After the end of subscription, the Company's capital became two hundred and fifty million (250,000,000) Saudi Riyals, divided into twenty-five million (25,000,000) ordinary shares. With a nominal value of ten (10) Saudi Riyals per share.

On 18/01/1444H (corresponding to 16/08/2022G), the Extraordinary General Assembly agreed to reduce the capital from two hundred and fifty million (250,000,000) Saudi Riyals to one hundred million (100,000,000) Saudi Riyals, representing a reduction rate of (60%). in addition to that, the Board of Directors recommended to increase the Company's capital via Rights issue from one hundred million (100,000,000) Saudi Riyals to three hundred million (300,000,000) Saudi Riyals, with a capital increase rate of 200%.

On 09/04/1444H (corresponding to 03/11/2022G), the Board of Directors recommendation to increase the Company's capital through a Rights Issue was amended to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals, which represent an increase of (100%).

The Company obtained the approval of the Saudi Central Bank under letter No. 44036229 dated 26/04/1444H (corresponding to 20/11/2022G) to increase its capital by one hundred million (100,000,000) Saudi Riyals, by offering ten million (10,000,000) Rights. After the end of subscription, the Company's capital will be two hundred million (200,000,000) Saudi Riyals, divided into twenty million (20,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals per share.

On 17/10/1444H (corresponding to 07/05/2023G) the Company applied to SAMA to request the extension of SAMA's letter No (S M/81/2023) relating to capital increase. The Company obtained on 28/10/1444H (corresponding to 18/05/2023G) SAMA's letter approving the extension of its non-objection to increase the Company's capital.

3.3 Main Activities of the Company

The Company operates under Commercial Registration No. (4030169661), Unified No. (7001523724), dated 06/05/1428H (corresponding to 23/05/2007G). The Company's activity, as in its commercial register, is general insurance and health insurance.

The Company's activity according to its Bylaw, is to conduct cooperative insurance at the general insurance and health insurance branch. The Company may undertake all the work required to achieve its purposes and shall carries out its activities in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations and the regulations and rules in force in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.

Pursuant to the permit of the Central Bank (SAMA) under No. (TMN/4/20079) dated 29/08/1428H (corresponding to 11/09/2007G), the Company is authorized to practice the insurance activities in general and health insurance in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations.

The Company carries out its activities through its headquarter in Jeddah, and its branches, (for more information, please see the Subsection (9.10.4) "The Company's Branches and Points of Sale" of Section (9) "Legal Information" of this Prospectus).

3.4 Founding Shareholders

The following table presents the ownership of the Founding Shareholders of the Company upon incorporation:

Table 5: Founding Shareholders

Shareholder	Direct ownership upon incorporation	
	Ownership (%)	No. of shares
Islamic Arab Insurance Company (AEIC)	30.0%	600,000
Bin Dawood Markets Company	5.0%	100,000
Joint Business Company	5.0%	100,000
Al Shaer Group Company	5.0%	100,000
United Developers Company	4.0%	80,000
Malaz Group Company	3.0%	60,000
Dr. Saleh Jameel Malaika	2.0%	40,000
Mr. Rashid Abdullah Al Suwaikit	2.0%	40,000
Mr. Ayman Ismail Abu Dawood	2.0%	40,000
Mr. Hussain Hassan Bayari	2.0%	40,000

Source: The Company

3.5 Major Shareholders

As at the date of this prospectus, there are no substantial shareholders in the Company who own 5% or more of its shares.

3.6 Ownership of Salama Cooperative Insurance Company in other companies

The Company does not own any stakes or shares in other companies or any assets outside the Kingdom.

3.7 Significant Dates and Developments

Table 6: Significant Dates and Developments

The Company obtained the investment license number (1/870) from the Saudi Arabian General Investment Authority (SAGIA)	13/09/1426H (corresponding to 15/10/2005G)
The Founding Shareholders received a license to establish the Company under the Council of Ministers Resolution No. (233)	16/09/1427H (corresponding to 09/10/2006G)
The Founding Shareholders received a license to establish the Company under the Royal Decree No. (M/60)	18/09/1428H (corresponding to 11/10/2006G)
The Company's shares were offered for initial Public Offering (IPO)	27/02/1428H (corresponding to 17/03/2007G)
The founders obtained the approval of the Ministry of Commerce to establish the company under Resolution No. (112/k)	29/04/1428H (corresponding to 16/05/2007G)
The Company was established, and the Commercial Registration No. (4030169661) was issued on	06/05/1428H (corresponding to 23/05/2007G)
The Company's shares were listed in the Saudi Stock Exchange "Tadawul"	06/05/1428H (corresponding to 23/05/2007G)
The Company obtained approval from SAMA No. (TMN/4/20079) permitting it to conduct insurance business	29/08/1428H (corresponding to 11/09/2007G)
The Company obtained SAMA approval No. (TMN/4/20079) for conducting the insurance business	08/10/1435H (corresponding to 08/06/2014G)
The Company obtained approval of the Saudi Central Bank to reduce the capital under letter No. (43089045)	21/10/1443H (corresponding to 22/05/2022G)
Recommendation of the Board of Directors to increase the Company's capital by offering Rights	On 18/01/1444H (corresponding to 16/08/2022G)

Amendment of the recommendation of the Board of Directors to increase the Company's capital by offering Rights	On 09/04/1444H (corresponding to 03/11/2022G)
The Company obtained approval of the Saudi Central Bank to increase the capital under letter No. (44036229)	26/04/1444H (corresponding to 20/11/2022G)
The Company obtained approval extension of the Saudi Central Bank for the capital increase under letter No. (44082666)	28/10/1444H (corresponding to 18/05/2023G)
The Extraordinary General Assembly decided to approve the recommendation of the Company's Board of Directors to increase capital by offering Rights with value (100,000,000) Saudi Riyals.	On Sunday 21/04/1445H (corresponding to 05/11/2023G)
The Company obtained the approval of the Capital Market Authority to increase its capital by offering of Rights with a value of (100,000,000) Saudi Riyals.	On 05/01/1445H (corresponding to 23/07/2023G)

Source: The Company

3.8 Vision

To be the leading provider of innovative and customized insurance solutions backed by strong financial and human resources.

3.9 Mission Statement

The Company seeks to meet insurance needs for individuals and businesses to assist them in managing their daily risks, compensate them for unforeseen incidents and assist them in reaching their expectations. This will be achieved by establishing long-term relationships that enables the Company to understand the needs of the clients, and act proactively to meet them, offer high quality insurance solutions, and high level services that exceed their expectations.

3.10 Mission

To achieve a global leadership in cooperative insurance industry in terms of Shareholders equity and Market Share.

3.11 Values

- Honest relations and trustworthy management.
- Dynamic, disciplined, and outstanding performance.
- Faithfulness in business and strive in achieving success.
- Teamwork and mutual respect

3.12 Business Strategy

Salama's goal is to be a leading provider of Shari'a compliant Takaful insurance products in the Kingdom of Saudi Arabia by providing high quality services at competitive prices. The Company offers a number of insurance products designed to meet the needs of its individual and corporate customers, as detailed below:

1. Motor Insurance
2. Health insurance
3. Fire and Property Insurance
4. Marine Insurance
5. Accident and Liability Insurance
6. Engineering insurance

The Company also aims to practice Takaful insurance and related activities such as reinsurance, agency, representation, correspondence or insurance brokerage, in accordance with the principles of the Saudi Cooperative Insurance Law and its Implementing Regulations and other applicable rules.

The Company intends to benefit from the strengths, knowledge, experience and managerial competence of its founding members. Salama's objectives derived from the construction on customer satisfaction, operational efficiency, personnel and profitability. The Company's aims to:

- Target different customer segments to design and deliver distinct and high-quality products and services at competitive prices, to meet the needs of each segment.
- Providing the Company's customers with high-quality services and processing claims with the maximum possible efficiency and speed.
- Establish, strengthen and maintain outstanding customer relationships through a high-level customer relationship management (CRM) system and the full-scale use of information technology to build and establish high standards of service. Our customer loyalty is reflected in high customer retention rates and their frequent transactions with the Company.
- Work and coordinate closely with our distribution channels partners to understand the different customer needs. We work with these partners to design insurance solutions fitting the requirements of our corporate and individual customers.

The Company offers insurance solutions to corporate and individual customers through the following distribution channels:

- Direct Sales Team and brokers: To provide our individual customers with insurance solutions.
- Identify full-time brokers and account managers: Offer comprehensive corporate solutions.
- Other distribution channels: Expansion of the points of sale network and explore new sale methods such as online sales.

The Company aims to achieve a high level of profitability by optimizing subscription, reinsurance and claims business and striving to achieve a significant increase in total premiums in the coming years. Salama objectives also include management of its operations with a constant focus on controlling costs and a primary focus on utilizing information technology as a means to ensure an effective and responsive work system.

On the other hand, the Company offers equal opportunities for its employees so that they can utilize their potential as effective as possible. It also offers high-level education and training services for its employees, including managerial technical skills and interpersonal communications and has a focused plan to increase the percentage of Saudi nationals within its employees.

3.13 Strengths and competitive advantages of the Company

The Company has the following advantages over its competitors:

1. Administrative staff with high experience in the insurance market in the Kingdom.
2. Robust IT infrastructure that meets the Company's long-term operational needs
3. Multiple distribution channels including brokers, agents and sales professionals.
4. Reinsurance agreements with internationally renowned reinsurance companies.
5. Benefit from the establishment of mandatory insurance lines by regulators and insurance activity for the large retail sector in the Saudi market.

3.14 Products and Services

The Company offers cooperative insurance and associated activities in the Kingdom of Saudi Arabia. Its main activity includes all general insurance categories and health insurance. The Company offers its products through 31 different policies divided into 6 sectors: Fire and property insurance, engineering insurance, accident and liability insurance, marine insurance, motor insurance, and health insurance.

The Company has obtained SAMA final approval on all these programs, except for one program which is under the process of approval of the file and use, and the details are as follows:

Table 7: Approved Products

#	Product	Product Description	Type of Approval	Date of Approval
1	Land transport insurance (All risks)	Insurance against the risks related to transit land transport (truck/rail carriage).	Final	16/12/1431H (corresponding to 22/10/2010G)
2	Land transport insurance (Basic risks)	Insurance against risks related to transit land transport (truck/rail carriage).	Final	16/12/1431H (corresponding to 22/10/2010G)
3	Carrier liability insurance (All risks)	Insurance against the losses resulting from the carrier's liability.	Final	16/12/1431H (corresponding to 22/10/2010G)
4	Carrier liability insurance (Specified risks)	Insurance against the losses resulting from the carrier's liability.	Final	16/12/1431H (corresponding to 22/10/2010G)
5	Marine insurance	Marine freight insurance.	Final	26/08/1437H (corresponding to 23/05/2017G)
6	Ship structures insurance	Marine hull and machinery insurance	Final	16/12/1431H (corresponding to 22/10/2010G)
7	Professional liability insurance	This policy covers all types of professions against the liabilities that may be required by law due to mistakes, negligence, omissions, or oversight during the exercise of work.	Final	26/07/1438H (corresponding to 23/04/2017G)
8	Commercial motor insurance	Compensation for damage to vehicles that may have been caused by incidental factors.	Final	26/05/1438H (corresponding to 23/02/2017G)
9	Directors and executives liability insurance	This policy covers the protection for directors and executives against liability resulting from their actions while carrying out their corporate and organizational duties.	Final	26/07/1438H (corresponding to 23/04/2017G)
10	Third-party liability motor insurance	Compensation for damage to vehicles that may have been caused by third parties.	Final	17/01/2008G
11	Comprehensive motor insurance	Compensation for damage to vehicles.	Final	15/01/2023G
12	Workers' compensation and employer liability insurance	This policy covers the legal liability under the Saudi Labor Law to pay compensation and the plaintiff's expenses related to injuries to any employee arising from and while carrying out his work.	Final	02/01/2008G
13	Third-party liability insurance for government-owned vehicles	Compensation for damage to government-owned vehicles.	Final	27/11/1439H (corresponding to 09/08/2018G)

14	Commercial liability insurance	Compensation for all losses resulting from events insured under the policy.	"File and use approval"	26/05/1438H (corresponding to 23/02/2017G)
15	Travel insurance	This policy covers its holders against specific risks such as death and injury while traveling abroad.	Final	07/04/1438H (corresponding to 05/01/2017G)
16	Contractors' risks insurance	Compensation for losses resulting from several causes.	Final	02/01/2008G
17	Installation risk insurance	This policy covers risks related to storage, assembly, or installation, as well as the period of testing and operating machines at the factory. It also offers comprehensive coverage against all risks unless specifically excluded.	Final	02/01/2008G
18	Electronics insurance	This policy covers sudden and unexpected material damage caused by electronics, as well as external information means, increased costs, and labor expenses.	Final	02/01/2008G
19	Equipment breakdown insurance	This policy covers sudden material losses or damages to equipment and factories. This can be extended to include loss of profits due to equipment breakdown.	Final	02/01/2008G
20	Contractors' plant and machinery insurance	Compensation for all losses to contractors' machinery and plants.	Final	02/01/2008G
21	General liability insurance	This policy covers its holder's legal liability to pay compensation to third parties for causing any accidental physical injury to them or loss or damage to their property, during the performance of the policyholder's work, profession, or activities.	Final	30/12/2007G
22	Fidelity insurance	This policy covers losses resulting from the dishonesty of employees.	Final	30/12/2007G
23	Fire insurance	This policy covers losses and damages caused by fires and other specified risks to insured properties.	Final	30/12/2007G
24	Property all risks insurance	This policy provides comprehensive and complete coverage for industrial units, commercial property, and the like, against all risks (including incidental damages) except those specifically excluded under the policy.	Final	30/12/2007G
25	Cash insurance	This policy covers money losses resulting from detention or robbery during their transfer, when located inside the insured property, or when located in safes.	Final	30/12/2007G
26	Home insurance	This policy covers houses against a wide range of risks such as fire.	Final	20/10/1439H (corresponding to 04/07/2018G)
27	Individual personal accident insurance	This policy covers the insured policyholder against death and injuries and provides disability compensation up to a predetermined maximum amount.	Final	07/04/1438H (corresponding to 05/01/2017G)
28	Group personal accident insurance	This policy covers the insured policyholders against death and injuries and provides disability compensation up to a predetermined maximum amount.	Final	07/04/1438H (corresponding to 05/01/2017G)
29	Machinery breakdown and loss of profit insurance	This policy covers the loss of profit resulting from machinery breakdown.	Final	22/02/1433H (corresponding to 16/01/2012G)

30	Medical malpractice insurance	This policy covers medical practitioners against the liabilities that may be required by law due to mistakes, negligence, omissions, or oversight during the exercise of work.	Final	24/09/1437H (corresponding to 29/06/2016G)
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Source: The Company.

* The approval of the file and use of the commercial liability insurance product expired on 30/06/2017G

3.15 Future Products

The Company is continuously assessing opportunities for new products, whether individual, commercial, business, family or public products to meet the individuals and institutions customers' requirements, in accordance with the provisions of the Cooperative Insurance Companies Control and its Implementing Regulations. Currently, the Company is studying potential products to be offered in the future.

3.16 Reinsurers

The Company deals with several reinsurance companies classified by Standard & Poor's (S&P) or AM BEST (AM BEST) at level not being less than stable. They are accredited by the Saudi Central Bank under the scope of local and global reinsurance companies, with which the Saudi insurance companies can deal with. The Central Bank also depends on reinsurers classified by Moody's Investor Service and Fitch Rating. If the Company wants to deal with reinsurers unaccredited by the Central Bank, they must obtain written consent from SAMA. The classifications are indications of the strength of the financial position of the reinsurance company and its efficiency to cover claims, as well as the quality of its service and its reinsurance programs.

The Company contracted with several global reinsurance companies (please refer to section (9) "Legal Information") to minimize the risk of insurance, ensure the stability of operations and capital sources, reduce the risk of losses and stable the profitability.

Table 8: Key reinsurers that the Company deals with

Name	Credit Rating
Swiss Re, Zurich	AA-
Saudi Re, Riyadh	A3
Hannover Re, Bahrain	A
SCOR, Paris	AA-
Aspen Re, Zurich	A
CCR, France	A
AXA XL- Dubai	A
Sirius, Sweden	A
Echo Re, Switzerland	A-
AXA Assistance, France	A
Helvetia, Switzerland	A-
Korean Re	A

Source: Annual Report 2022G

3.17 Marketing and distribution

The Company markets its products within the framework of supporting the Company's vision and objectives, and developing its products and services to existing and potential customers. It seeks to develop the size of sales across its geographical spread in the Kingdom of Saudi Arabia, by providing its products and services from its headquarters in Jeddah as well as 18 branches and points of sale distributed across the Kingdom. The Company has no commercial activity outside the Kingdom of Saudi Arabia. The following table shows details of the Company branches:

Table 9: Company Branches

#	Company Branches	Commercial registration No.	Activity details
1	Al-Khobar - Al-Khobar North District	2051059594	Office practicing insurance work
2	Dammam - Scheme 11	2050112433	Office practicing insurance work
3	Al Baha - King Abdulaziz Road	5800019152	Office practicing insurance work
4	Tabuk - Al-Saada District	3550035797	Office practicing insurance work
5	Samtah - Muroor Road	4030169661	Office practicing insurance work
6	Sabya - Sahlaba district	5906031731	Office practicing insurance work
7	Jazan - Prince Sultan Road	5900031114	Office practicing insurance work
8	Abha - Al Nozha District	5850063211	Office practicing insurance work
9	Najran - Al Fahd District	5950031557	Office practicing insurance work
10	Riyadh - Al Taawun District	1010600111	Office practicing insurance work
11	Riyadh - Al Rawdah District	4030169661	Office practicing insurance work
12	Riyadh- Al Murabba District	4030169661	Office practicing insurance work
13	Buraidah - Al Marqab District	4030169661	Office practicing insurance work
14	Medina - Al Khalidiya District	4650076547	Office practicing insurance work
15	Jeddah - Al Salamah District	4030169661	Office practicing insurance work
16	Jeddah - Mushrifah District	4030169661	Office practicing insurance work
17	Makkah - Al Naseem District	4031086374	Office practicing insurance work
18	Taif - Al Qamaria District	4032045121	Office practicing insurance work

Source: The Company

3.18 Distribution of Company's revenues by insurance branches

The Company obtained a license from the Central Bank (SAMA) under No. (TMN/4/20079) dated 29/08/1428H (corresponding to 11/09/2007G), to practice the insurance activity in general insurance and health insurance in the Kingdom of Saudi Arabia in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. The license ends on 26/08/1446H (corresponding to 25/02/2025G). The following are details of the total written premiums for the Company for the financial years 2020G, 2021G and 2022G.

Table 10: Distribution of Company's revenues by insurance types

Type of insurance	December 31, 2020G (SAR '000)	December 31, 2021G (SAR '000)	December 31, 2022G (SAR '000)
Health	89,362	86,350	142,575
Motor	313,895	351,481	624,070
Accident and Liability	9,279	10,957	6,467
Engineering	2,290	3,702	3,323
Fire and Property	10,255	13,416	13,252
Marine	2,542	1,625	2,421
Other general insurance branches	-	-	-
Gross written premiums	427,623	467,531	792,108

Source: The Company.

3.19 Distribution of Company Revenues by Geographical Area

The Company is exercising its insurance activity through the sale and marketing of various insurance products through its headquarters in Riyadh and its branches, and through sales outlets in the Kingdom (for further information, please see Subsection “Company and Point of Sale” of Section (9) “Legal Information” of this Prospectus). Following are the details of the total written premiums for the Company for the financial years 2020G, 2021G and 2022G by Geographical Area.

Table 11: Distribution of Company Revenues by Geographical Area

Region	December 31, 2020G	December 31, 2021G	December 31, 2022G
Eastern Region	312,276	41,298	44,367
Central Region	53,560	160,499	199,243
Western Region	33,183	214,681	431,162
Other	28,604	51,053	117,336
Total	427,623	467,531	792,108

*Source: Board of Directors Report

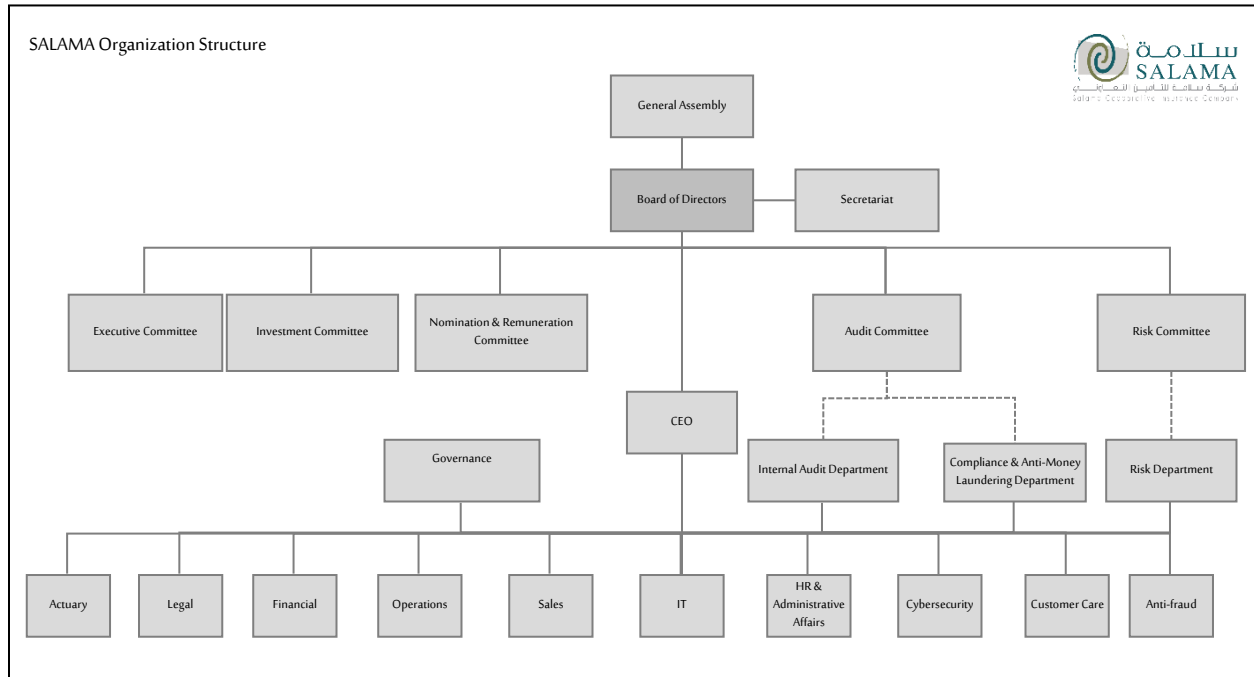
3.20 Business Interruption

There was no interruption in the Company’s work that could affect or have significant impact on the financial position during the last 12 months. It should be noted that the Company work has not been interrupted during the Covid 19 pandemic period of 2020G (for more details on the risk of Corona, please refer to the Risk (2.1.35) “Risks related to the Outbreak of Corona virus pandemic “COVID-19” of this Prospectus).

3.21 Employees and Saudization

As at the date of this Prospectus, the number of the Company’s employees are (249) employees, including (169) Saudi employees and (80) non-Saudi employees. According to Nitagat program issued by the Ministry of Human Resources and Social Development, the Saudization rate as at the date of this Prospectus reached about 74%, and the Company is classified within “Platinum” range.

3.22 Organization Structure



Source: The Company

4. Employees

4.1 Employees' stock programs existing prior to filing the application for registration and acceptance to list the Rights

As at the date of this Prospectus, the Company does not have any employee share allocation programs or other arrangements that may facilitate the Company's employees (including Senior Management) to acquire the Company's shares.

4.2 Arrangements for Employees participation in the capital

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

5. Financial Information and Management Analysis and Discussion

5.1 Introduction

The Financial Information and Management Analysis and Discussion section includes an analytical review of Salama Cooperative Insurance Company's performance and its financial position during the financial years ending on December 31, 2020G, 2021G and 2022G. They are based on and should be read in conjunction with the Company's audited financial statements for the financial years ending on December 31, 2020G, 2021G and 2022G and the notes attached thereto (hereinafter referred to as the "Financial Statements").

The Company's financial statements for the year ended on December 31, 2020G were audited by Al-Azm, Al-Sudairy, Al-Sheikh and Partners, certified public accountants and Dr. Mohamed Al-Amri & Co. The financial statements for the years ended on December 31, 2021G and 2022G were audited by Al-Azm, Al-Sudairy, Al-Sheikh and Partners, certified public accountants and PKF Albassam and Partners.

Al-Azm, Al-Sudairy, Al-Sheikh and Partners, certified public accountants, Dr. Mohamed Al-Amri & Co and PKF Albassam and Partners and none of their subsidiaries or affiliated Companies have any benefit or interest of any kind in the company. Each of the auditors provided written statements to the use of their names, logos and statements which were not withdrawn in connection with the reference in the prospectus as auditors of the company for the above periods.

The Company's auditors for the financial year ended 31 December 2020G issued a qualified opinion where, according to the auditors' report, the Company has a balance of other receivables of SAR 15.1 million as of 31 December 2020G. This balance represents the differences in the accounting system processing related to insurance operations due to difficulties in the implementation of the new information technology system, which were reported to the senior management of the IT system developer. The auditors were unable to obtain sufficient and appropriate evidence on the balance of other receivables. Accordingly, the auditors were unable to determine whether any adjustments to other receivables were required. The auditors were unable to determine the potential impact on the financial statements for the year ended 31 December 2020G. This issue was addressed in 2021G and the Company's auditors issued a non-qualified opinion.

On 16 August 2022, the shareholders of the Company in an extra-ordinary general meeting approved the decrease in accumulated losses by netting-off with the share capital of SR 150 million and utilize the entire balance of SR 5 million from the statutory reserve. Reduction to the capital was by reducing 3 shares for every 5 shares owned by the shareholder. The purpose of this reduction is to restructure the Company's capital position in accordance with the Companies Law. After reduction, the Company's authorized, issued and fully paid -up capital was SAR 100 million (compared to the amount of SAR 250 million before reduction), divided into 10 million ordinary shares at a value of SAR 10 per share.

The Company's auditors' report for the year 2022G drew attention to the material uncertainty, which indicates that the Company accumulated losses reached to SR 62.1 million being 62.1% of its capital (31 December 2021: SR 158.77 million being 63.51% of its capital). In addition, the Company's solvency was 46.3% as of 31 December 2022G. On 16 August 2022G, the Board of Directors recommended an increase in share capital through offering a rights issue with a total value of SR 200 million. Further, on 3 November 2022G, the Board of Directors have revised the increase in share capital through offering a right issue with a total value of SR 100 million rather than SAR 200 million which was approved by the shareholders in an extra-ordinary general meeting held on 15 December 2022G. these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

All financial information contained in this section is presented in Saudi Riyals, unless stated otherwise. The figures also have been rounded to the nearest integer. Therefore, the sum of these numbers may differ from what is contained in the tables. It should also be noted that all percentages, average annual growth, profit margins and costs are based on these rounded figures.

The financial information contained in this Prospectus is extracted without material change from the audited financial statements for the financial years ended on December 31, 2020G, 2021G and 2022G and the notes attached thereto. The figures for the financial year ended December 31, 2019G have been used as they are classified in the financial statements for the year ended 2020G. The figures for the financial year ended December 31, 2020G have been used as they are classified in the financial statements ended December 31, 2021G. The figures for the financial year ended December 31, 2021G have been used as they are classified in the financial statements ended December 31, 2022G.

This section may include future assumptions related to the Company's future potential based on management's current plans and projections about the Company's growth, results of operations and financial position and may involve risks and uncertain expectation. The Company's actual performance may differ materially from what is presented in these assumptions, caused by various factors, including the factors discussed below and in other sections of this Prospectus.

5.2 Salama Cooperative Insurance Company Directors Declaration on the Financial Statements

Members of the Board of Directors acknowledge the following:

1. All material facts relating to the Company and its financial performance are disclosed in this Prospectus, and no other information, documents or facts if omitted would make any statement herein misleading.
2. The financial information contained in this Prospectus is extracted without material change from the audited financial statements for the financial years ended on December 31, 2020G, 2021G and 2022G and are presented in accordance with those financial statements. In addition, this information has been prepared in accordance with International Financial Reporting Standards (IFRS) for the financial years ended on December 31, 2020G, 2021G and 2022G.
3. The Company incurred financial losses during the financial years ended 31 December 2021G and 2022G. Except as disclosed in this prospectus, there was no material adverse change in the Company's financial and commercial position during the three years immediately preceding the date of filing the application for registration and offering the rights issue subject to this Prospectus.
4. The Company has sufficient working capital for the twelve (12) months immediately following the date of issuing this Prospectus.
5. The Company is not aware of any seasonal factors or economic cycles related to the activity that may have an impact on the business and financial position of the Company.
6. Other than what is stated in subsections (2.2.1) "Risks related to Compliance with Laws and Regulations", (2.2.2) "Risks related to the Economic Performance of the Kingdom", (2.2.3) "Risks related to Political and Economic Instability in the Region" and (2.2.4) "Risks related to Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations" of section (2) "Risk Factors", the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may have direct or indirect material impact on the Company's operations. .
7. The Company has no capital covered by option right as at the date of this prospectus.
8. There are no mortgages, rights burdens, or costs on the Company's property as at the date of this prospectus.
9. The Company does not own any contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to certain which may significantly affect the assessment of the financial position of the Company.
10. No commissions, discounts, brokerage fees or any non-monetary compensation were granted by the Issuer during the three years

immediately preceding the date of submitting the registration application and offering of securities subject to this Prospectus in connection with the issuance or offering of any securities to the Board members or proposed Board members, senior executives, the individuals offering securities or experts.

11. Except for what was disclosed in Subsection (5.8.2.14) "Commitments and contingencies" of this section (5) and Subsection (2.1.10) "Risks Related to Contingent Obligations" of section (2) "Risk Factors", the Company has no contingent liabilities, guarantees, or any important fixed assets that it intends to buy or lease.
12. The Company has no loans or other liabilities including overdrafts from bank accounts. The Company also acknowledges that there are no security liabilities (whether secured by personal security or not secured by personal security, secured by mortgage or not secured by mortgage), commitments under acceptance, acceptance credit and rental purchase commitments except as disclosed in this Subsection (5.8.2.14) "Commitments and contingencies" and Subsection (10.1.2) "Risks Related to Contingent Obligations" of Section (2) "Risk Factors".
13. The Company has not issued debt instruments, and has no approved debt instruments, term loans, or mortgages that are secured, unsecured, current, or approved but not issued. In addition to absence of loans covered by personal guarantees and loans secured by mortgage or unsecured by mortgage.
14. As at the date of this Prospectus, the Company has no subsidiaries.

5.3 Requirements going concern principle and financial solvency

During the year ended on December 31, 2022G, the Company incurred a loss of SAR 58.3 million (December 31, 2021G: SAR 112.4 million). This has resulted in an increase in accumulated losses amounting to SAR 62.1 million representing 62.1% of its capital as of December 31, 2022G (December 31, 2021G: SAR 158.8 million, representing 63.5%). The Solvency margin of the Company as at 31 December 2022G has reached - 45.2% (2021: 73.52%), which is below the minimum requirement of the Insurance implementation regulations.. Under Article 68(d) of the Implementing Regulations of The Cooperative Insurance Companies Control Law , SAMA shall appoint an advisor to provide consultation and advice to the company or issue a cease and desist order to the Company and recommend the withdrawal of its license if the solvency margin falls below 25% and/or the Company fails to act appropriately to rectify its financial situation.. However, on 20 November 2022G, the Company have received SAMA approval related to increase in share capital as recommended by Board of Directors i.e. SAR 100 million as stated below.

These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

On 17 March 2022G, the Board of Directors recommended capital restructuring in line with Article 150 of the new Companies Law to cover the accumulated losses. The Board of Directors recommended to decrease the accumulated losses by netting-off with the share capital of SAR 150 million and utilize the entire balance of SAR 5 million from the statutory reserve. The Company obtained approval from the related regulatory authorities in this regard.

The management of the Company prepared a business plan which is approved by the Board of Directors and has undertaken strategic initiatives that will ensure healthy market penetration and retention levels while remaining in compliance with the applicable regulatory requirements.

On 16 August 2022G, the shareholders of the Company in an extra-ordinary general meeting approved the decrease in accumulated losses by netting-off with the share capital of SAR 150 million and utilize the entire balance of SAR 5 million from the statutory reserve. Further, on 16 August 2022G, the Board of Directors recommended an increase in share capital through offering a right issue with a total value of SAR 200 million. Furthermore, on 3 November 2022G, the Board of Directors have revised the increase in share capital through offering a right issue with a total value of SAR 100 million rather than SAR 200 million. On 15 December 2022G, the shareholders of the Company in an extra-ordinary general meeting approved the increase in the share capital as recommended by the Board of Directors and direct the Company to proceed with the capital increase procedures and obtain the approval of regulatory authorities.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue its business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

5.4 Basis of Preparation of the financial statements

5.4.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia ("KSA"), and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value and re-measurement of employee benefit obligations. The Company's statement of financial position is presented in order of liquidity. Except for property and equipment, right of use assets, intangible assets, statutory deposit investments, employee benefits obligations, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (the Implementing Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts.

Similarly, the Company's annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders' operations presented in the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

The inclusion of separate information of the insurance operations with the financial information of the Company in the statements of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information required as required by the implementing regulations.

During 2018G, under the supervision of SAMA, the insurance companies' management prepared and adopted the illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level financial statements in compliance with IFRS as endorsed in the Kingdom of Saudi Arabia and guidelines by SAMA, the balances and transactions of insurance operations are combined with those of shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders' operations are uniform for like transactions and events in similar circumstances.

5.4.2 Functional and Presentation Currency

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

5.4.3 Fiscal Year

The Company follows a fiscal year ending 31 December of each year.

5.4.4 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 these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated 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 these financial statements:

- 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 period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per

member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

- **Impairment of 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 period of 12 months or longer is considered to be prolonged and a decline of 25% 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.

- **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.

- **Fair Value of Financial Instruments**

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

- **Useful lives of property and equipment**

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews residual values and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

- **Going Concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

5.4.5 Seasonality of operations

There are no seasonal changes that may affect the Company's insurance operations.

5.5 Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021G. Based on the adoption of amendments to existing standards and in consideration of the current economic environment, the following accounting policies are applicable effective 1 January 2022G, replacing, amending, or adding to the corresponding accounting policies set out in the 2021G annual financial statements.

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

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2022G. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

Standards/ Interpretations/ Amendments	Description	Effective Date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognize such sales proceeds and related costs in the statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a Company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IAS 41, 'Agriculture' and the Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022G.

5.5.2 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 are effective.

Standard/ Interpretation	Description	The standard's effective date is from periods commencing on or after the following dates
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities.	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024G.
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS.	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023G.
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction.	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023G.
IFRS 17	Insurance contracts	See below
IFRS 9	Financial Instruments	See below

- IFRS 17 "Insurance Contracts"

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023G, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

Structure and status of the implementation project

The Company is currently in the implementation and dry runs phase of IFRS 17 (i.e., Phase 4 of SAMA four-phase approach for the transition from IFRS 4 to IFRS 17). This phase requires the implementation of methodologies, assumptions and policy choices as defined in Phase 3, in addition to installation and integration of systems. The following table shows the progress made by the Company under the main areas of Phase 4:

Scope of Impact	Summary of Impact
Governance Structure	The Company has a comprehensive IFRS 17 governance structure which includes establishing a steering committee to provide oversight, monitor the progress of implementation, approve decisions and assign roles and responsibilities to various stakeholders. This includes the involvement of the internal audit and the Audit and Board Committees.
Regulatory requirements related to IFRS 17	The Company has met all the timelines of the industry-wide four-phase approach of SAMA for the transition from IFRS 4 to IFRS 17, including the three Dry Runs that were part of Phase 4. -The first dry run as at 31 December 2020 was performed during 2021 and the report was timely submitted to SAMA on 30 November 2021. -The Second dry run was performed during first half of 2022 which included the preparation of the IFRS 17 financial statements as at 31 December 2021 along with the comparative statement of financial position as at 31 December 2020. The report was timely submitted to SAMA on 31 May 2022. The audit of the second dry run was performed and the respective audit report was submitted to SAMA on 29 September 2022. -The Company refined its implementation plan taking into consideration the learnings from the first and second dry runs and implemented these policies in the third dry run as at 30 June 2022, which was performed during October - November 2022. The results were audited during November 2022. The results and respective audit report were submitted to SAMA

	<p>on 30 November 2022.</p> <p>-The monthly "Summary Progress Reports" from May to December 2022, were also submitted in due time..</p>
Key areas remaining to be completed	<p>Operational and financial:</p> <p>The Company is in the process of implementing the selected IFRS 17 software solution and is implementing changes to the accounting, actuarial modelling, processes and controls, data and systems to comply with the requirements of IFRS 17 and for a smooth system integration. This includes implementing the Phase 3 Design decisions, blueprints of its end state functional design, transition processes and a comprehensive data policy and data dictionary. The Company is assessing the expected financial impact of adopting the IFRS 17 Standard. IFRS 17 testing:</p> <p>The Company's implementation plan includes a number of testing phases: parallel runs and User Acceptance Testing (UAT), in addition to the internal dry runs.</p>

Significant judgements and accounting policy choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard i.e., January 01, 2023:

Contracts within/outside the scope of IFRS 17

An 'insurance contract' is defined in IFRS 17 as a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. IFRS 17 defines the contract boundary as follows: "Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder".

If a contract transfers only financial risk, it is not within the scope of IFRS 17 and would be accounted for applying other standards such as IFRS 9, "Financial Instruments".

Combination/Unbundling of Contracts

The Standard advises that the non-insurance component of the contract should be segregated from the overall contract, and treated under the relevant accounting standards if such non-insurance component is distinct. This process of separating the non- insurance component from the insurance contract is called unbundling. The Company does not have any non-insurance line of business.

Level of Aggregation

The Company has identified two portfolios for IFRS 17 purposes:

- Medical Corporate: Group Medical Insurance business, mainly experience rated and covering over 250 members per group. All the contracts are onerous at initial recognition and have been split into the following categories by underwriting year: 2018 and Prior; 2019; 2020; 2021; and continued accordingly.
- Medical SME: SME & Retail Medical Insurance business, mainly book rated and under 250 members per group. All the contracts are onerous at initial recognition and have been split into the following categories by Underwriting Year: 2018 and Prior; 2019; 2020; 2021; and continued accordingly.

Measurement – Overview

The Company is currently permitted under IFRS 4 to continue accounting using its accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held (all portfolios) are eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of coverage are more than 12 months apart; and
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (currently these may have formed part of the unexpired risk reserve provision).

Measurement of the liability for incurred claims (currently claims outstanding and incurred-but-not-reported (IBNR)) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk.

Significant Judgements and Estimates

- PAA eligibility assessment approach: Visa & Travel policies over 12 months are tested for PAA eligibility and found eligible. These are relatively an insignificant portion of the overall portfolio. The remaining medical policies having a duration of 12 months are measured under PAA.
- Discounting methodology: Discounting of liabilities has not been considered for both Liabilities for Incurred Claims & Remaining Coverage. The impact of this has been tested and is relatively immaterial as most associated cash flows take place within 6 months of the valuation date.
- Risk Adjustment (RA) methodology, including correlations, and Confidence level selected: The purpose of the risk adjustment is to measure the effect of uncertainty in the cash flows that arise from insurance contracts, other than uncertainty arising from financial risk. The methodology was based on a mix of results of Company's own experience variability and the Value at Risk ("VaR") approach in line with Solvency II. The parameters of the distribution were calibrated based on the experience and credibility of the historical data. 75th percentile has been decided by the Company as of the valuation date. The diversification benefit has been allowed for in the estimation of RA driven by the mix of business and the expected correlations between them.
- Onerousness determination: Onerousness on initial recognition is driven by the technical provisions & pricing adequacy reports as well as understanding of the expected profitability of new business written.
- Provision for Doubtful Debts: A methodology similar to IFRS 9 will be adopted to model the provision.
- VAT treatment: All cash flows are summarized as inclusive of VAT.
- CSM release pattern and Reinsurer Default provision are not applicable to the Company.

Accounting Policy Choices

- Length of Cohorts: Annual.
- Expense Attribution: The Company has segregated the expenses into three components: acquisition, non-attributable and attributable.

- Deferral of Acquisition Cost: The Company has chosen to apply the deferral of acquisition cost as per paragraph 55 of IFRS 17 standard.
- use of OCI for IFIE, Unwinding of Discount on Risk Adjustment and Policyholder Surplus accounting are not applicable to the Company.

Presentation and Disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately.

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognized in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

Choice of Method (FRA, MRA, FV).

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date. Given that all contracts are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable. For this purpose, the full retrospective approach has been used by the Company.

Accordingly, the Company has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied;

derecognized any existing balances that would not exist if IFRS 17 had always applied; and recognized any resulting net difference in equity. The Company has not recognized any insurance acquisition cash flows assets relating to insurance contracts issued or expected to be issued.

Length of Comparatives

The Company will produce quarterly comparatives using the prior year reinstated financials.

Transition Impact

Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of SAR 2.3 million as of 1 January 2022. The impact on equity as at 1 January 2023 is currently being estimated and shall be disclosed in the financial statements for the period ending 31 March 2023. .

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 as of 01 January 2022
Changes in measurement of insurance contract liabilities	Decrease by SAR 3.6 million
Changes in measurement of insurance contract assets	Increase by SAR 1.3 million
Total Impact	Decrease by SAR 2.3 million

Impact on Liabilities and Assets

Impact on transition to IFRS 17 as at 01 January 2022	
Liabilities	
Losses on insurance onerous contracts	Increase by SAR 10 million
Risk Adjustment on LIC	Increase by SAR 7.2 million
Discounting on LIC	Decrease by SAR 1.3 million
Due to Reduction in technical reserves	Decrease by SAR 12.3 million
Total Impact on Liabilities	Increase by SAR 3.6 million
Assets	
Due to Reduction in technical reserves	Decrease by SAR 1.4 million
Discounting on AIC	Decrease by SAR 0.41 million
Losses on reinsurance onerous contracts	Increase by SAR 1.1 million
Risk Adjustment on AIC	Increase by SAR 2 million
Total Impact on Assets	Increase by SAR 1.3 million

Sources of Uncertainties

The estimates of the impact on transition to IFRS 17 are based on dry runs performed by the Company as part of the implementation process. As such, the estimates may change as the methodologies, workarounds or assumptions used are refined. Various operational processes are further expected to be automated, to reduce certain manual interventions which may have been present when arriving at the current estimates.

However, based on the information currently available, it is not expected that any potential changes in the above would result in impacts

deviating significantly from the current estimates for the Company.

- IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023. The new standard addresses the following items related to financial instruments:

Financial Assets - Classification and measurement.

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

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

Amortized Cost

Fair value through OCI

Fair value through P/L

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

The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.

The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business Model Assessment

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

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

How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel

The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed

How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The SPPI Test:

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

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

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Debt instruments measured at fair value through other comprehensive income:

The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets.

The contractual terms of the financial asset meet the SPPI test.

The instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Financial assets measured at fair value through profit or loss:

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell..

Financial assets – Impairment

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Calculation of ECL:

As mentioned above, all assets are further classified into three stages based on the change in credit risk since inception. These three stages are described below:

Stage 1 - includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized.

Stage 2 - includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized.

The above approach is quantitatively modeled using the following formula.

$$\text{ECL} = \text{Probability of default (PD)} \times \text{Exposure at default (EAD)} \times \text{Loss given default (LGD)} \times \text{Discount factor (DF)}$$

ECL parameters definitions

Probability of default: It defines the probability of a borrower to default in its commitment over the lifetime of the asset. According to IFRS 9 context, PD is calculated for two-time horizons. 12 - Months PD and lifetime PD and lifetime PD.

12-Months PD: likelihood of default in next 12 months of an asset.

Lifetime PD: likelihood of default in the lifetime of an asset.

Exposure at Default ("EAD"): EAD is the total value / balance outstanding of an asset the entity is exposed to at the time of default.

Loss Given Default ("LGD"): LGD is the total loss (expressed as a percentage) on an asset experienced by entity when a counterparty defaults on their contractual obligations.

Discount Factor ("DF"): The company will discount the cash flows that it expects to receive at the effective interest rate determined at initial recognition, or an approximation thereto, to calculate the ECL. If a financial instrument has a variable interest rate, the ECL will be discounted using the current effective interest rate.

Forward-looking information: Each of the ECL parameters, specifically the "PD", implicitly or explicitly contain a forward-looking macroeconomic factor that feeds into the calculation of the ECL.

Definition of default: A default is defined based on the default of the borrower/ instrument issuer, when they are in default or rated ("D").

Significant Increase in Credit Risk ("SICR"): Specific criteria should be achieved to conclude that the financial instrument has a significant increase in credit risk since initial recognition but that does not have objective evidence of impairment. The criteria vary and are determined based on the type of financial assets.

Financial liabilities

Financial liabilities will be measured at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVTPL (e.g., derivatives not designated in a hedging relationship), or the company elects to measure the financial liability at FVTPL (using the fair value option). Such options are irrevocable and can only be classified upon prior approval.

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI;

The remaining amount of the change in the fair value will be presented in the statement of income.

Transition

The general requirement in IFRS 9 is that an entity must apply IFRS 9 at the date of initial adoption retrospectively in accordance with IAS 8.

IFRS 9 does not require an entity to restate prior periods. Restatement is permitted only if it is possible without the use of hindsight and the restated financial statements reflect all the requirements of IFRS 9. If the entity does not restate prior periods, any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application should be included in the opening balance of the retained earnings (or other equivalent component of equity).

Accordingly, the Company will not restate its comparative figures, instead the impact will be included in the opening retained earnings as at 01 January 2023.

Estimated Change in the Company's Total Equity due to initial application of IFRS 9

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after Zakat) to the balance of the Company's total equity is estimated to be a reduction of SAR 6.4 million as at 01 January 2022, as summarized below. The impact on equity as at 01 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 01 January 2023 to 31 March 2023.

Adjustments due to adoption of IFRS 9	01 January 2022
Impairment of financial assets	SAR (6.4) million
Total impact	SAR (6.4) million

Annex 13-12-4 (B)

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

5.6.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate policy holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull 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/hull and cargoes.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties. Customers could also receive compensation for the loss of earnings through loss of profit and business interruption. For property insurance contracts the main risks are fire, natural perils, 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.

The Company also issues comprehensive motor policies. Various extensions cover natural perils, personal accident benefits and agency repairs.

General accident insurance includes money, fidelity guarantee, personal accident, jeweler block, jewelry all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability, medical malpractice and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two main 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, 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 Business Interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

5.6.2 Surplus distribution payable

In accordance with the Implementing Regulations issued by SAMA, the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policy holders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

5.6.3 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an

option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 11 years for offices. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the finance rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental financing rate. Generally, the Company uses its incremental financing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the incremental financing cost. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

5.6.4 Revenue Recognition

Recognition of premium

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term policies (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;
- 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; and.

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

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for medical insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or 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. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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. Investment income on these contracts is accounted for using the EIR method when accrued.

Investment Income:

Investment income on debt instruments classified under held to maturity investments and Murabaha deposits are accounted for on an effective interest basis.

Dividend income:

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

5.6.5 Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of income as incurred. 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 ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

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.

5.6.6 Salvage and Subrogation

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.

5.6.7 Reinsurance Contracts held

Reinsurance is distributed between treaty, facultative, stop loss 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 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the 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. 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.

5.6.8 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, to the extent that these costs are recoverable out of future premiums. 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 period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the 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.

5.6.9 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.

5.6.10 Premiums and reinsurance 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 premium / reinsurance receivables" separately 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.

Investments

a. 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 EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the Effective Interest Rate “EIR”. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

b. 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 net trading income/loss.

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.

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. Special commission 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'.

c. Held- to maturity

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity 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.

Reclassification

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Company's ability to use this classification:

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value.
- Sales or reclassifications after the Company has collected substantially all the assets' original principal.
- Sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

Derecognition of Financial Instruments

The de-recognition 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are 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 time frame 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 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:
 1. Adverse changes in the repayment status of issuers or debtors in the Company; or
 2. 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, the 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.

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

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through 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 de-recognition, 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 period of 18 months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of 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.

5.6.11 Intangible Assets

Separately acquired intangible assets (mention category) are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortizes intangible assets with a limited useful life using straight-line method over the following periods: Intangible assets (listed below) are shown separately at historical cost. They have a limited useful lifelife, and they are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Software 5 years
- Licenses 4 years

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 period in which they are incurred.

Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

- Motor vehicle 5 years
- Furniture and fixtures 5 years
- Computers and office equipment 3 years

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. The management does not expect any material changes to the depreciation policy.

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

5.6.12 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 levels for which there are separately identifiable cash flows (cash-generating units).

5.6.13 Employee 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 period using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period 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. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

5.6.14 Zakat

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

5.6.15 Dividend distribution

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

5.6.16 Cash and Cash Equivalents

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

5.6.17 Term Deposits

Term deposits including Murabaha deposits are classified within loans and receivables category as per IAS 39. They are initially recognized at fair value including direct transaction costs and subsequently measured at amortized cost, less provision for impairment in value and are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

5.6.18 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.

5.6.19 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 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.

5.6.20 Operating Segments

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

- Medical provides compensation to policy holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Other includes property, marine, engineering, accident and liability and miscellaneous categories.

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

5.6.21 Statutory Reserves

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.

5.6.22 Fair value

The fair values of financial assets 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 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.

5.6.23 Accounts Payable and Accruals

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

5.6.24 Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.6.25 Provision for Outstanding Claims

Judgments by management are required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as of 31 December, is also verified and certified by an independent actuary.

5.6.26 Premium Deficiency Reserve

Estimation of the premium deficiency is highly sensitive to a number of assumptions as to the future events and conditions. It is based on expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply on month to month basis. Based on actuary's suggestion, the management has used different possibilities for projecting the expected trends in loss ratio. The key assumption used by the management is that past claims pattern are stable and will continue in future.

5.7 Statement of Income

The following table presents the statements of income for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G.

Table 12: Statement of Income

(SAR' 000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G-2022G
Revenue					
Gross premiums written	427,623	467,531	792,108	9.30%	69.42%
Reinsurance premiums ceded:					
Local	(1,087)	(6,660)	(3,358)	512.70%	(49.58%)
Foreign	(44,565)	(45,690)	(75,161)	2.50%	64.50%
	(45,652)	(52,350)	(78,519)	14.70%	49.99%
Excess of loss expense:					
Local	(1,353)	(2,694)	(2,870)	99.10%	6.53%
Foreign	(18,046)	(4,905)	(8,769)	(72.80%)	78.78%
	(19,399)	(7,599)	(11,639)	(60.80%)	53.16%
Net premiums written	362,572	407,582	701,950	12.40%	72.22%
Change in unearned premiums, net	12,788	(8,243)	(180,885)	(164.50%)	2,094.41%
Net premiums earned	375,360	399,339	521,065	6.40%	30.48%
Reinsurance commission	6,967	8,425	9,279	20.90%	10.14%
Other underwriting income	5,680	675	14,223	(88.10%)	2,007.11%
Total revenues	388,007	408,439	544,567	5.30%	33.33%
Underwriting costs and expenses					
Gross claims paid	347,288	390,048	500,604	12.30%	28.34%
Reinsurers' share of claims paid	(35,133)	(37,599)	(48,279)	7.00%	28.41%
Net claims paid	312,155	352,449	452,325	12.90%	28.34%
Change in outstanding, claims net	(23,364)	(3,960)	(4,873)	(83.10%)	23.06%
Change in claims incurred but not reported, net	(8,389)	93	(2,152)	(101.10%)	(2,412.90%)
Net claims incurred	280,402	348,582	445,300	24.32%	27.75%
Changes in premium deficiency reserve	(9,782)	6,700	(2,866)	(168.50%)	(142.78%)
Changes in other technical reserves	(3,163)	4,795	(702)	(251.60%)	(114.64%)
Policy acquisition costs	17,312	22,453	30,714	29.70%	36.79%
Other underwriting expenses	26,444	48,590	67,431	83.70%	38.77%
Total underwriting costs and expenses	311,213	431,120	539,877	38.53%	25.23%
Net underwriting income / (loss)	76,794	(22,681)	4,690	(129.50%)	(120.68%)
Other operating (Expenses) / income					
Doubtful debts	(238)	(7,016)	(5,639)	2847.90%	(19.63%)
General and administrative expenses	(82,734)	(94,887)	(75,704)	14.70%	(20.22%)
Investment Income	2,077	1,551	7,192	(25.30%)	363.70%
Commission from held-to-maturity investments	2,098	1,115	1,865	(46.90%)	67.26%

Commission income from term deposits	8,087	6,460	11,047	(20.10%)	71.01%
Realized (loss) on investments	-	(1,170)	-	N/A	(100.00%)
Unrealized (loss) / gain on investments	3,620	10,123	(1,172)	179.60%	(111.58%)
Other income	3,220	95	2,394	(97.00%)	2,420.00%
Total other operating expenses	(63,870)	(83,729)	(60,017)	31.10%	(28.32%)
Net loss before zakat	12,924	(106,410)	(55,327)	(923.40%)	(48.01%)
Income attributable to insurance operations	(874)	-	-	(100.00%)	-
Income / (loss) for the year attributable to shareholders before Zakat	12,050	(106,410)	(55,327)	(983.10%)	(48.01%)
Zakat	(6,000)	(6,000)	(3,000)	0.00%	(50.00%)
Net loss/ (income) attributable to shareholders	6,050	(112,410)	(58,327)	(1958.00%)	(48.11%)
Weighted average number of ordinary shares outstanding	25,000	10,000	10,000	0.00%	(60.00%)
Basic and diluted (loss) per share	-	(11.24)	(5.83)	1775.00%	29.56%
Other comprehensive (loss) / income					
Items that will not be reclassified to the income statement in subsequent years					
Actuarial (losses)/ gains on defined benefit obligations related to insurance operations	748	300	(389)	(59.90%)	(229.67%)
Total comprehensive (loss)/ income for the year	6,798	(112,110)	(58,716)	(1749.20%)	(47.63%)

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

The following table presents KPIs for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G.

Table 13: Key Performance Indicators

(SAR' 000)	Financial year 2020G	Financial year 2021G	Financial year 2022G
Gross written premium growth rate	(15.10%)	9.30%	69.42%
Ceded Cession (including loss surplus premiums)	15.20%	12.80%	11.38%
Net earned premiums as a percentage of gross written premiums	87.80%	85.40%	65.78%
Net loss ratio	74.70%	87.30%	85.46%
Commission paid as a percentage of gross written premiums	4.00%	4.80%	3.88%
Commission received as a percentage of ceded premiums	10.70%	14.10%	10.29%
Net commission rate: Reinsurance commission less policy acquisition costs/net earned premiums	(2.80%)	(3.50%)	(4.11%)
Net underwriting results as a percentage of gross written premiums	18.00%	(4.90%)	0.59%
Net expense ratio	22.00%	23.80%	14.53%
Net combined ratio	96.70%	111.10%	99.99%

Source: The Company

Gross Written Premiums

The medical Line of Business (“LoB”) and the motor LoB are the two main business segments of the Company, as they contributed together to 94.3%, 93.6%, and 96.8% of the total gross written premiums in the financial years 2020G, 2021G, and 2022G respectively.

Gross written premiums increased by 9.3% from SAR 427.6 million in 2020G to SAR 467.5 million in 2021G, impacted by the following:

- Growth in the motor LoB by 12.0%, from SAR 313.9 million in 2020G to SAR 351.5 million in 2021G, impacted by the increase in the sales of third-party liability products written through online aggregators as a result of the competitive prices offered by the Company for this product in comparison to other insurance companies.
- A 21.9% increase in written premiums attributed to other LoBs, from SAR 24.5 million in 2020G to SAR 29.7 million in 2021G; which was partially offset by a 3.4% decrease in written premiums attributed to the medical LoB, from SAR 89.4 million in 2020G to SAR 86.4 million in 2021G.

Gross written premiums also increased by 69.4% between 2021G and 2022G from SAR 467.5 million to SAR 792.1 million, impacted by the following:

- A 65.2% growth in written premiums in the medical LoB, from SAR 86.4 million in 2021G to SAR 142.6 million in 2022G, driven by the policies of small and micro enterprises, which recorded a 94.5% increase from SAR 62.0 million to SAR 120.6 million, after the Company reduced prices based on the recommendations of the actuarial expert, and started relying on online platforms to attract new clients;
- A 77.5% increase in written premiums attributed to the motor LoB, from SAR 351.5 million in 2021G to SAR 624.0 million in 2022G, impacted by the competitive prices offered by the Company compared to other insurance companies, which led to attracting new customers, especially through online aggregators, which was partially offset by
- a 14.3% decrease in written premiums attributed to other LoBs, from SAR 29.7 million in 2021G to SAR 25.5 million in 2022G.

Reinsurance ceded and excess of loss premiums.

The Company reinsures in accordance with a risk management strategy in order to protect the Company from potential losses and to secure additional potential growth. Reinsurance operations are carried out under proportional and facultative reinsurance agreements and contracts and excess of loss reinsurance.

Change in unearned premiums

The net change in unearned premiums is the difference between net written premiums and net earned premiums during each year / period.

Net Earned Premiums

Net earned premiums increased by 6.4% from SAR 375.4 million in 2020G to SAR 399.3 million in 2021G, following a 9.0% increase in the motor LoB from SAR 280.7 million in 2020G to SAR 306.1 million in 2021G, as a result of the growth in the sales of third-party liability written through online platforms, driven by the competitive prices offered by the Company for this product compared to other insurance companies. This was partially offset by a decrease in net earned premiums in the medical LoB, from SAR 89.3 million in 2020G to SAR 84.8 million in 2021G.

Net earned premiums also increased between 2021G and 2022G by 30.5% from SAR 521.3 million to SAR 521.1 million. This was mainly driven by the growth of earned premiums in the medical and motor LoBs, which increased together from SAR 390.9 million in 2021G to SAR 511.1 million in 2022G.

Reinsurance commissions

Reinsurance commissions are the income generated from reinsurance arrangements/agreements. Reinsurance commissions in most reinsurance arrangements/agreements depend on the profitability of the reinsured portfolio which is negatively or positively affected by the increase or decrease in incurred claims.

Net claims incurred

Net incurred claims increased by 24.3% from SAR 280.4 million in 2020G to SAR 348.6 million in 2021G, driven by a growth in net incurred claims attributed to the motor LoB from SAR 199.4 million in 2020G to SAR 289.4 million in 2021G, due to the growth of business in the motor LoB in 2021G, especially post COVID-19.

Net incurred claims also increased between 2021G and 2022G by 27.7% from SAR 348.6 million to SAR 445.3 million. This was mainly due to the growth of business in the motor LoB, as the net incurred claims attributed to this LoB increased from SAR 289.4 million to SAR 391.5 million between the two years.

Changes in additional premium reserves and other technical reserves

The changes in additional premium reserves and other technical reserves included in the statement of income for the financial years 2018G, 2019G and 2020G are based on the recommendations of the actuarial expert.

Policy acquisition costs

Policy acquisition costs mainly relate to commissions paid to sales representatives, brokers, and agents. These costs are generally in line with movements in gross earned premiums.

Total policy acquisition costs increased by 29.7% from SAR 17.3 million in 2020G to SAR 22.5 million in 2021G, due to their increase in the motor LoB from SAR 8.9 million in 2020G to SAR 13.2 million in 2021G, following business growth in the motor LoB.

Policy acquisition costs also increased by 36.8% between 2021G and 2022G from SAR 22.5 million to SAR 30.7 million, mainly due to their 45.5% surge in the motor LoB from SAR 13.2 million in 2021G to SAR 19.2 million in 2022G following the increase in sales of motor policies through brokers via online platforms.

Other underwriting expenses

Other underwriting expenses are mainly related to Elm Company fees (Yaqeen services to obtain the data of the insured), Saudi Central Bank fees, Najm Company fees, and other fees.

These other underwriting expenses increased by 83.7% from SAR 26.4 million in 2020G to SAR 48.6 million in 2021G, due to the increase of Najm Company fees as a result of business growth in the motor LoB.

Other underwriting expenses also increased by 38.8% between 2021G and 2022G from SAR 48.6 million to SAR 67.4 million, which was mainly driven by the increase in Najm Company fees as a result of business growth in the motor LoB, and the increase in Elm Company fees (Yaqeen services to obtain the data of the insured).

Allowance for doubtful debts

The provision for doubtful debts is related to the carrying amount of premium receivables that have been due for a long time and for which events or circumstances indicate that the carrying amount may not be recoverable. The Company reviews the carrying amount of insurance and reinsurance premium receivables in accordance with the guidelines set by the Saudi Central Bank and records the change in the impairment of past-due premiums as a provision for doubtful debts.

General and administrative expenses

General and administrative expenses increased by 14.7% between 2020G and 2021G from SAR 82.7 million to SAR 94.9 million. This was mainly due to the increase in other expenses from SAR 10.3 million in 2020G to SAR 19.8 million in 2021G, which was mainly driven by the surge in bank expenses following the growth in sales of motor policies through online platforms.

However, general and administrative expenses decreased by 20.2% between 2021G and 2022G from SAR 94.9 million to SAR 75.7 million. This drop was mainly due to a decline in staff costs from SAR 49.2 million in 2021G to SAR 40.0 million in 2022G, which was in turn mainly driven by the Company's adoption of a commission-based reward system for the sales department employees instead of salaries, in addition to a decrease in the number of employees from 255 to 242 between 2021G and 2022G. Additionally, depreciation and amortization expenses decreased from SAR 11.5 million in 2021G to SAR 4.9 million in 2022G, due to the SAP system write-off which was recognized mainly in 2021G.

investment (Loss) / income

Investments (losses) / income consist of profits and dividends from investment funds.

- There was no material change in investment income in 2021G compared to 2020G, as it only dropped from SAR 2.1 million to SAR 1.6 million.
- However, investment income increased from SAR 1.6 million in 2021G to SAR 7.2 million in 2022G, mainly driven by the disposal of investment shares in several companies and portfolios, which resulted in a profit of SAR 5.7 million, and the disposal of investment shares in Alawwal Investment Funds, which resulted in a realized profit of SAR 1.5 million.

Commission on investments held to maturity

Commission on investments held to maturity dropped from SAR 2.1 million in 2020G to SAR 1.1 million in 2021G, then increased to SAR 1.9 million in 2022G due to additions to investments held to maturity.

Commission income on term deposits

Commission income on term deposits decreased from SAR 8.1 million in 2020G to SAR 6.5 million in 2021G, as the balance of time deposits decreased by 34.6% from SAR 148.3 million as of December 31, 2020G, to SAR 97.0 million as of December 31, 2021G, following the maturity of a term deposit worth SAR 50.1 million and the use of cash to finance the Company's main operations.

However, commission on time deposits increased between 2021G and 2022G from SAR 6.5 million to SAR 11.0 million, impacted by investing in five new deposits with a total value of SAR 155.0 million as at December 31, 2022G.

Realized (loss) / gain on investments

The Company did not realize any gain or losses from investments in 2020G. However, in 2021G, it recorded a SAR 2.1 million realized loss from investments due to excluding local sukuk worth SAR 5.33 million.

After that, it did not realize again any gain or losses from investments in 2022G.

Unrealized (loss) / gain on investments

Unrealized gain from investments at fair value through the income statement amounted to SAR 3.6 million in 2020G and SAR 10.1 million in 2021G, mainly driven by an increase in the fair value of some investments.

However, the Company recorded an unrealized loss of SAR 1.2 million in 2022G, driven by changes in the fair value of some investments.

Zakat expense

The Company submitted its zakat declaration for the year ended 31 December 2021G and obtained the necessary zakat and tax certificate.

ZATCA issued assessments covering from 2006G to 2012G and amounting to SAR 17.1 million, consisting of SAR 9.3 million as zakat differences, SAR 4.4 million as withholding tax differences, and SAR 3.4 million as fines. The Company settled the withholding tax differences amounting to SAR 4.4 million and partially settled the delay fines amounting to SAR 3.1 million. Accordingly, the Company issued a SAR 9.5 million letter of guarantee in favor of ZATCA for the zakat differences of the aforementioned years. In 2021G, the Company settled its liabilities from 2008G to 2012G and subsequently requested from ZATCA to release the SAR 9.5 million bank guarantee.

A settlement request was submitted to ZATCA to pay 3 million Saudi Riyals to close the case, but the Zakat Disputes Committee reached a decision to settle 7.7 million Saudi Riyals to finalize the assessments for the mentioned years. ZATCA rejected the decision of the Zakat Disputes Committee, and upon the end of the hearing, the case was raised to the Appeal Committee. Management expects the Zakat liability to reach to SAR 4.2 million based on the objection and the information submitted to ZATCA and to the committees.

ZATCA issued an assessment for 2014G, in which it requested an additional zakat liability amounting to 1.2 million Saudi Riyals. The assessment was objected, and the objection was rejected by ZATCA. The case was escalated to the Tax Committees, and it is awaiting a decision. The management believes that Zakat liability will reach 1.2 million Saudi Riyals.

ZATCA issued an assessment for the years 2015G to 2018G, in which it requested an additional zakat liability amounting to 14.1 million Saudi Riyals, and a withholding tax liability for the years 2014G to 2018G amounting to 7 million Saudi Riyals. In 2021G, the Company settled the withholding tax differences to access the benefits of the first phase of the revised governmental amnesty period (full exemption of penalties). Management believes that the zakat liability will reach SAR 14.7 million.

In 2021G, the Company received zakat assessments for the years 2019G and 2020G where ZATCA requested an additional liability amounting to SAR 11.4 million. The Company objected and the liability was later reduced to SAR 9.1 million. The Company paid SAR 2.3 million in order to object according to the Zakat regulation. The objection was referred to the general secretariat of the tax committees and the case is still under discussion.

Total comprehensive (loss) / income for the year / period

In 2020G, the Company recorded comprehensive income worth SAR 6.8 million, with net underwriting income amounting to SAR 76.8 million, which was partially offset by other operating expenses amounting to SAR 63.9 million.

However, in 2021G, the Company recorded a comprehensive loss of SAR 112.1 million resulting from a net underwriting loss of SAR 22.7 million, specifically in the motor LoB, mainly driven by an increase in net claims incurred. As for other operating expenses, they amounted to SAR 83.7 million.

Comprehensive loss decreased by 47.6% from SAR 112.1 million in 2021G to SAR 58.7 million in 2020G, mainly due to the increase in net underwriting income in the medical LoB from SAR 15.7 million in 2021G to SAR 39.3 million in 2022G, and the increase in net underwriting income in other LoBs from SAR 6.2 million in 2021G to SAR 23.8 million in 2022G, partially offset by an increase in net underwriting loss in the motor LoB from SAR 44.6 million in 2021G to SAR 58.4 million in 2022G.

5.7.1 Segmental Information

The following table presents segmental information for the financial year ended December 31, 2020G:

Table 14: segmental information for the financial year ended December 31, 2020G

(SAR' 000)	Medical insurance	Motor insurance	Others	Total
Revenue				
Individual	-	284,983	3,939	288,922
Large	17,339	7,077	4,877	29,293
Medium	10,178	9,757	8,047	27,982
Small	15,353	8,367	6,742	30,462
Ver small	46,492	3,711	761	50,964
Gross premiums written	89,362	313,895	24,366	427,623
Reinsurance premiums ceded				
Local	-	(82)	(1,005)	(1,087)
Foreign	-	(31,284)	(13,281)	(44,565)
	-	(31,366)	(14,286)	(45,652)
Excess of loss expense:				
Local	(943)	(148)	(262)	(1,353)
Foreign	(14,234)	(2,829)	(983)	(18,046)
	(15,177)	(2,977)	(1,245)	(19,399)
Net premiums written	74,185	279,552	8,835	362,572
Changes in unearned premiums, net	15,134	1,136	(3,482)	12,788
Net premiums earned	89,319	280,688	5,353	375,360
Reinsurance commission	-	3,612	3,355	6,967
Other underwriting income	2,253	1,236	2,191	5,680
Total revenues	91,572	285,536	10,899	388,007

Underwriting costs and expenses				
Gross claims paid	97,386	248,488	1,414	347,288
Reinsurers' share of claims paid	(13,503)	(20,845)	(785)	(35,133)
Net claims paid	83,883	227,643	629	312,155
Change in outstanding claims, net	(5,197)	(21,614)	3,447	(23,364)
Change in claims incurred but not reported, net	(1,596)	(6,614)	(179)	(8,389)
Net claims incurred	77,090	199,415	3,897	280,402
Changes in premium deficiency reserves	(8,969)	(40)	(773)	(9,782)
Change in other technical reserves	(1,594)	(1,251)	(318)	(3,163)
Policy acquisition costs	6,010	8,865	2,437	17,312
Other underwriting expenses	7,506	18,765	173	26,444
Total underwriting costs and expenses	80,043	225,754	5,416	311,213
Net Underwriting income / (loss)	11,529	59,782	5,483	76,794

Source: Audited financial statements for the year ended December 31, 2021G.

In 2020G, the medical and motor LoB accounted for the majority of the Company's portfolio. Total written insurance premiums amounted to SAR 427.6 million, 73.4% of which were from the motor LoB, 20.9% from the medical LoB, and 5.7% from other LoBs. The Company recorded a net underwriting income in the medical LoB after its net loss rate decreased from 114.3% in 2019G to 86.3% in 2020G. The Company also recorded a net underwriting income in the motor LoB and other LoBs in 2020G.

The following table presents Segmental information for the financial year ended December 31, 2021G:

Table 15: Segmental information for the financial year ended December 31, 2021G

(SAR' 000)	Medical insurance	Motor insurance	Others	Total
Revenue				
Individual	-	317,862	4,413	322,275
Large	18,298	6,537	8,114	32,949
Medium	9,097	16,549	8,731	34,377
Small	8,560	9,427	6,494	24,481
Very small	50,395	1,106	1,948	53,449
Gross premiums written	86,350	351,481	29,700	467,531
Reinsurance premiums ceded				
Local	-	-	(6,660)	(6,660)
Foreign	-	(34,921)	(10,769)	(45,690)
	-	(34,921)	(17,429)	(52,350)
Excess of loss expense:				
Local	(1,360)	(542)	(792)	(2,694)
Foreign	(2,131)	(2,241)	(533)	(4,905)
	(3,491)	(2,783)	(1,325)	(7,599)
Net premiums written	82,859	313,777	10,946	407,582
Change in unearned premiums, net	1,988	(7,692)	(2,539)	(8,243)
Net premiums earned	84,847	306,085	8,407	399,339
Reinsurance commission earned	-	3,933	4,492	8,425
Other underwriting income	66	424	185	675
Total revenues	84,913	310,442	13,084	408,439
Underwriting costs and expenses				
Gross claims paid	68,881	318,510	2,657	390,048
Reinsurers' share of claims paid	(3,495)	(32,264)	(1,840)	(37,599)

Net claims paid	65,386	286,246	817	352,449
Change in outstanding claims, net	(1,280)	(2,512)	(168)	(3,960)
Change in claims incurred but not reported, net	(6,873)	5,651	1,315	93
Net claims incurred	57,233	289,385	1,964	348,582
Changes in premium deficiency reserves	-	5,892	808	6,700
Change in other technical reserves	1,040	3,153	602	4,795
Policy acquisition costs	6,012	13,193	3,248	22,453
Other underwriting expenses	4,944	43,407	239	48,590
Total underwriting costs and expenses	69,229	355,030	6,861	431,120
Net underwriting income / (loss)	15,684	(44,588)	6,223	(22,681)

Source: Audited financial statements for the year ended December 31, 2021G.

In 2021G, the medical and motor LoBs accounted for the majority of the Company's portfolio. Total written insurance premiums amounted to SAR 467.5 million, 75.2% of which were from the motor LoB, 18.5% from the medical LoB, and 6.4% from other LoBs. The motor LoB recorded a net underwriting loss of SAR 44.6 million in 2021G, after the net loss rate for the motor LoB increased from 71.7% in 2020G to 93.7% 2021G, while the medical LoB and other LoBs recorded a net underwriting income of SAR 15.7 million and SAR 6.2 respectively.

The following table presents segmental information for the 9-month period ended December 31, 2022G:

Table 16: segmental information for the financial year ended December 31, 2022G

(SAR' 000)	Medical insurance	Motor insurance	Others	Total
Revenue				
Individual	-	571,506	879	572,385
Large	14,325	15,905	6,910	37,140
Medium	7,459	22,070	10,605	40,134
Small	9,623	11,581	5,619	26,823
Very small	111,168	3,008	1,450	115,626
Gross premiums written	142,575	624,070	25,463	792,108
Reinsurance premiums ceded				
Local	0	0	(3,358)	(3,358)
Foreign	0	(62,269)	(12,892)	(75,161)
	0	62,269	16,250	(78,519)
Excess of loss expense:				
Local	(1,910)	(594)	(366)	(2,870)
Foreign	(5,222)	(2,405)	(1,142)	(8,769)
	(7,132)	(2,999)	(1,508)	(11,639)
Net premiums written	135,443	558,802	7,705	701,950
Change in unearned premiums, net	(28,130)	(155,019)	2,264	(180,885)
Net premiums earned	107,313	403,783	9,969	521,065
Reinsurance commission earned	-	4,651	4,628	9,279
Other underwriting income	4,745	-	9,478	14,223
Total revenues	112,058	408,434	24,075	544,567
Underwriting costs and expenses				
Gross claims paid	61,337	434,982	4,285	500,604
Reinsurers' share of paid claims	(3,848)	(43,162)	(1,269)	(48,279)
Net claims paid	57,489	391,820	3,016	452,325
Change in outstanding claims, net	1,333	(1,853)	(4,353)	(4,873)

Change in claims incurred but not reported, net	(2,270)	1,512	(1,394)	(2,152)
Net claims incurred	56,552	391,479	(2,731)	445,300
Changes in premium deficiency reserves	0	(2,057)	(809)	(2,866)
Change in other technical reserves	(919)	294	(77)	(702)
Policy acquisition costs	7,977	19,202	3,535	30,714
Other underwriting expenses	9,185	57,925	321	67,431
Total underwriting costs and expenses	72,795	466,843	239	539,877
Net underwriting income / (loss)	39,263	(58,409)	23,836	4,690

Source: Audited financial statements for the financial year ended December 31, 2022G.

In 2022G, the medical and motor LoBs accounted for the majority of the Company's portfolio. Total written insurance premiums amounted to SAR 792.1 million, 78.8% of which were from the motor LoB, 18.0% from the medical LoB, and 3.2% from other LoBs. The motor LoB recorded a net underwriting loss of SAR 58.5 million in 2022G, with a net loss rate of 97.0%, while the medical LoB and other recorded a net underwriting income of SAR 39.3 and SAR 23.8 million, respectively. However, the loss rate for the medical LoB and other LoBs were 52.7% and 27.4%, respectively.

5.7.2 Gross Written Premiums

The following table presents the written premiums for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 17: Gross written premiums

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	89,362	86,350	142,575	(3.4%)	65.1%
Motor insurance	313,895	351,481	624,070	12.0%	77.6%
Other LoBs	24,366	29,700	25,463	21.9%	(14.3%)
Gross written premiums	427,623	467,531	792,108	9.3%	69.4%
Percentage of total					
Medical insurance	20.9%	18.5%	18.0%		
Motor insurance	73.4%	75.2%	78.8%		
Other LoBs	5.7%	6.4%	3.2%		
Total	100.0%	100.0%	100.0%		

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

The motor LoB accounted for 73.4%, 75.2% and 78.8% of the total written premiums in 2020G, 2021G and 2022G, respectively; followed by the medical LoB at a percentage of 20.9%, 18.5% and 18.0% of the total written premiums respectively during the same period.

Medical LoB

The written premiums for the medical LoB did not have any material change as of 31 December 2021G compared to 31 December 2020G.

Written premiums for the medical LoB increased by 65.2% from SAR 86.4 million in 2021G to SAR 142.6 million in 2022G. This came after reducing the prices of micro enterprises insurance policies by the Company mainly based on the recommendations of the actuary, in addition to relying

on electronic platforms to attract new customers.

Motor LoB

The written premiums for the motor LoB increased by 12.0% from SAR 313.9 million in 2020G to SAR 351.5 million in 2021G, impacted by the increase in sales of third-party liability through online platforms as a result of the competitive prices offered by the Company for this product compared to other insurance companies.

Written premiums for the motor LoB increased by 77.5% from SAR 351.5 million in 2021G to SAR 642.1 million in 2022G, impacted by the continuous increase in sales of third-party liability through online platforms.

Other LoBs

Written premiums for other LoBs increased by 21.9% from SAR 24.4 million in 2020G to SAR 29.7 million in 2021G as the Company attracted new customers specifically in the fire, property, accident and liability LoBs.

Written premiums for the other LoBs decreased by 14.3% from SAR 29.7 million in 2021G to SAR 25.5 million in 2022G as a result of the decline in business in the accident and liability LoB.

5.7.3 Reinsurance premiums ceded excess of loss

The following table presents the reinsurance premiums ceded for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 18: Reinsurance premiums ceded and excess loss

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	15,177	3,491	7,132	(77.0%)	104.3%
Motor insurance	34,343	37,704	65,268	9.8%	73.1%
Other LoBs	15,531	18,754	17,758	20.8%	(5.3%)
Reinsurance premiums ceded, including excess loss	65,051	59,949	90,158	(7.8%)	50.4%
Cession Rate: Reinsurance premiums ceded including excess of loss / Gross written premiums					
Medical insurance	3.5%	0.7%	0.9%		
Motor insurance	8.0%	8.1%	8.2%		
Other LoBs	3.6%	4.0%	2.2%		
Ceded Rate:	15.2%	12.8%	11.4%		

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

The Company reinsures the policies issued by it under proportional and facultative agreements and reinsurance contracts and excess of loss arrangements externally and locally. The ceded reinsurance premiums and external excess of loss represent 91.6% of the total ceded reinsurance premiums and excess loss premiums between 2020G and 2022G, while the local ceded reinsurance premiums, including excess of loss represent a percentage of 8.4%.

The general ceded rate ranged between 11.4% and 15.2% of the total insurance premiums written between 2020G, 2021G and 2022G.

Ceded reinsurance premiums, including excess loss decreased by 7.8% from SAR 65.1 million in 2020G to reach SAR 59.9 million in 2021G, mainly

due to a decrease in ceded insurance premiums, including excess of loss in the medical LoB

Total ceded reinsurance premiums increased by 44.8% from SAR 59.9 million in 2021G to reach SAR 90.2 million in 2022G, mainly due to the increase in business in the motor LoB.

5.7.4 Net written premiums

The following table presents the net written premiums for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 19: Net written premiums

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	74,185	82,859	135,443	11.70%	63.5%
Motor insurance	279,552	313,777	558,802	12.20%	78.1%
Other LoBs	8,835	10,946	7,705	23.90%	(29.6%)
Net written premiums	362,572	407,582	701,950	12.40%	72.2%
Retention Rate: Net written premiums/ Gross written premiums					
Medical insurance	83.0%	96.00%	95.0%		
Motor insurance	89.10%	89.30%	89.5%		
Other LoBs	36.30%	36.90%	30.3%		
Retention Rate:	84.80%	87.20%	88.6%		

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G

Medical LoB

The average retention rate for the medical LoB was 91.9% for 2020G, 2021G and 2022G, as the Company uses excess loss arrangements to reinsure this LoB.

Motor LoB

The average retention rate for the motor LoB was 89.4% for 2020G, 2021G and 2022G, as the Company uses excess loss arrangements to reinsure this LoB.

Other LoBs

The average retention ratio for other LoBs(mainly including accident, liability, fire and property sectors, in addition to marine and engineering LoBs) was 36.3% in 2020G and 36.9% in 2021G, then decreased to 30.3% in 2022G where the average retention rate for other LoBsis relatively lower compared to the average retention rate for the motor and medical LoBs, due to the nature of the reinsurance agreements concluded for other LoBs.

5.7.5 Change in unearned premiums

The net change in unearned insurance premiums is the difference between net written insurance premiums and net earned insurance premiums during each year/period.

5.7.6 Net Earned Premiums

The following table presents the net earned premiums for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 20: Net written premiums

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	89,319	84,847	107,313	(5.0%)	26.5%
Motor insurance	280,688	306,085	403,783	9.0%	31.9%
Other LoBs	5,353	8,407	9,969	57.1%	18.6%
Net earned premiums	375,360	399,339	521,065	6.4%	30.5%
Percentage of total					
Medical insurance	23.8%	21.2%	20.6%		
Motor insurance	74.8%	76.6%	77.5%		
Other LoBs	1.4%	2.1%	1.9%		
Total	100.0%	100.0%	100.0%		

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

The motor LoB represented the highest percentage of net insurance premiums earned, contributing 76.3% of the total in 2020G, 2021G and 2022G, followed by the medical LoB with a rate of 21.9% for the same period, where the Company maintains the largest part of its operations in these two LoBs.

In 2021G, net earned premiums increased by 6.4% to SAR 399.3 million from SAR 375.4 million in 2020G, mainly driven by an increase in total earned premiums for the motor LoB, which increased by 9.0% from SAR 280.7 million in 2020G to SAR 306.1 million in 2021G. This is partially offset by the continued decline in net insurance premiums earned for the medical LoB.

Gross written insurance premiums increased by 30.5% between 2021G and 2022G from SAR 399.3 million to SAR 521.1 million, mainly due to the following:

- Written premiums for the motor LoB increased by 31.9% from SAR 306.1 million in 2021G to SAR 403.7 million in 2022G, impacted by the increase in sales of third-party liability through online platforms, in addition to
- Net insurance premiums earned for the medical LoB increased by 26.5% from SAR 84.8 million in 2021G to SAR 107.4 million in 2022G, mainly driven by competitive prices offered by the Company based on the recommendations of the actuary.

5.7.7 Reinsurance commission earned

The following table presents the reinsurance commission earned for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 21: Reinsurance commission earned

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	-	-	-	N/A	N/A
Motor insurance	3,612	3,933	4,651	8.9%	18.3%
Other LoBs	3,355	4,492	4,628	33.9%	3.0%
Reinsurance commission earned	6,967	8,425	9,279	20.9%	10.1%
Reinsurance commission received as a percentage of the premiums ceded					
Medical insurance	0.0%	0.0%	0.0%		
Motor insurance	10.5%	10.4%	7.1%		
Other LoBs	21.6%	24.0%	26.1%		
Total	10.7%	14.1%	10.3%		

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Reinsurance commissions are the income generated from reinsurance arrangements/ agreements. Reinsurance commissions in most reinsurance arrangements/ agreements depend on the profitability of the reinsured portfolio which is negatively or positively affected by the increase or decrease in incurred claims.

Motor LoB

The rate of reinsurance commissions received as a percentage of premiums ceded in the motor LoB was 10.5%, 10.4% and 7.0% in 2020G, 2021G and 2022G, respectively. Changes in the above rates are mainly due to changes in the distribution of premiums ceded between proportional reinsurance and excess loss arrangements in this LoB's reinsurance where the latter is not subject to reinsurance commissions other than proportional insurance.

Other LoBs

The rate of reinsurance commissions received as a percentage of premiums ceded in the other LoBs was 21.6%, 24.0% and 26.6% in 2020G, 2021G and 2022G, respectively. Changes in the above rates are mainly due to changes in the distribution of premiums ceded between proportional and facultative reinsurance and excess loss arrangements in this LoB's reinsurance where the latter is not subject to reinsurance commissions other than proportional insurance.

5.7.8 Net claims paid and incurred

The below table shows the claims paid and incurred for the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G:

Table 22: Net claims paid and incurred

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	97,386	68,881	61,337	(29.3%)	(11.0%)
Motor insurance	248,488	318,510	434,982	28.2%	36.6%
Other LoBs	1,414	2,657	4,285	87.9%	61.3%
Gross claims paid	347,288	390,048	500,604	12.3%	28.3%
Medical insurance	(13,503)	(3,495)	(3,848)	(74.1%)	10.1%
Motor insurance	(20,845)	(32,264)	(43,162)	54.8%	33.8%

Other LoBs	(785)	(1,840)	(1,269)	134.4%	(31.0%)
Reinsurers' share of paid claims	(35,133)	(37,599)	(48,279)	7.0%	28.4%
Net claims paid	312,155	352,449	452,325	12.9%	28.3%
Medical insurance	(5,197)	(1,280)	1,333	(75.4%)	(204.1%)
Motor insurance	(21,614)	(2,512)	(1,853)	(88.4%)	(26.2%)
Other LoBs	3,447	(168)	(4,353)	(104.9%)	2,491.1%
Change in claims outstanding, net	(23,364)	(3,960)	(4,873)	(83.1%)	23.1%
Medical insurance	(1,596)	(6,873)	(2,270)	330.6%	(67.0%)
Motor insurance	(6,614)	5,651	1,512	(185.4%)	(73.2%)
Other LoBs	(179)	1,315	(1,394)	(834.6%)	(206%)
Change in claims incurred but not reported, net	(8,389)	93	(2,152)	(101.1%)	(2,214.0%)
Medical insurance	77,090	57,233	56,552	(25.8%)	(1.2%)
Motor insurance	199,415	289,385	391,479	45.1%	35.3%
Other LoBs	3,897	1,964	(2,731)	(49.6%)	(239.1%)
Net claims incurred	280,402	348,582	445,300	24.3%	27.7%
Reinsurers' share as a percentage of gross claims paid					
Medical insurance	13.9%	5.1%	6.3%		
Motor insurance	8.4%	10.1%	9.9%		
Other LoBs	55.5%	69.3%	29.6%		
Total	10.1%	9.6%	9.6%		

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

5.7.8.1 Gross claims paid

The Company's gross claims paid increased by 12.3% from SAR 347.3 million in 2020G to SAR 390.0 million in 2021G. That is primarily due to:

- The increase in the gross claims paid in the motor LoB by 28.2% from SAR 248.5 million in 2020G to SAR 318.5 million in 2021G due to the growth in the volume of business in the motor LoB;
- The increase in the gross claims paid in other LoBs from SAR 1.4 million in 2020G to SAR 2.7 million in 2021G;
- The increase in the gross claims paid in the medical LoB by 29.3% from SAR 97.4 million in 2020G to SAR 68.9 million in 2021G. This was due to the decline in business volume of the medical LoB.

Gross claims paid increased by 28.3% from SAR 390.0 million in 2021G to SAR 500.6 million in 2022G, mainly due to the increase in gross claims paid of the motor LoB, which increased by 36.6% from SAR 318.5 million in 2021G to SAR 435.0 million in 2022G. This increase was affected by the increase in third-party liability sales written through the online aggregators.

5.7.8.2 Reinsurers' share of paid claims

The reinsurance share of the claims paid is determined by the reinsurance agreement of each insurance LoB in the Company.

There is no material change in the percentage of the reinsurers' share of claims paid in the financial years 2020G, 2021G and 2022G.

5.7.8.3 Changes in Outstanding Claims and Claims Incurred But Not Reported

Changes in outstanding claims and changes in incurred but not reported claims represent changes in estimated claims reserve and incurred but not reported claims estimated by the actuary during the year.

5.7.9 Net claims incurred

The following table presents the net claims incurred for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 23: Net claims incurred

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	77,090	57,233	56,552	(25.8%)	(1.2%)
Motor insurance	199,415	289,385	391,479	45.1%	35.3%
Other LoBs	3,897	1,964	(2,731)	(49.6%)	(239.0%)
Net claims incurred	280,402	348,582	445,300	24.3%	27.7%
Net loss ratio: Claims incurred / Net premiums earned					
Medical insurance	86.3%	67.5%	52.7%		
Motor insurance	71.0%	94.5%	97.0%		
Other LoBs	72.8%	22.3%	(27.4%)		
Net loss ratio	74.7%	87.3%	85.5%		

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Medical LoB

The net loss rate for the medical LoB decreased from SAR 86.3% in 2020G to 67.5% in 2021G, then to 52.7% in 2022G, mainly driven by the Company's failure to renew a major client's insurance policy in 2020G due to the losses incurred, in addition to the Company's focus on issuing medical insurance policies for small and micro enterprises that usually have a lower net loss ratio than companies.

Motor LoB

The net loss rate of the motor LoB increased from 71.0% in 2020G to 94.5% in 2021G and to 97.0% in 2022G. This was due to the growth in the volume of business in the motor LoB, especially through online aggregators as a result of the competitive prices offered by the Company for this product compared to other insurance companies.

Other LoBs

The net loss ratio for other LoBs decreased from 72.8% in 2020G to 23.4% in 2021G as a result of incurring a large claim due to a fire in a major customer facility in 2020G.

The loss rate for other LoBs decreased to 27.4% in 2022G due to the absence of any major claims during 2022G.

5.7.10 Policy acquisition costs

The following table presents the policy acquisition costs for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 24: Policy acquisition costs

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	6,010	6,012	7,977	0.0%	32.7%
Motor insurance	8,865	13,193	19,202	48.8%	45.5%
Other LoBs	2,437	3,248	3,535	33.3%	8.8%
Insurance policy acquisition costs	17,312	22,453	30,714	29.7%	36.8%
Costs of insurance policies paid/total written premiums					
Medical insurance	1.4%	1.3%	%1.0		
Motor insurance	2.1%	2.8%	2.4%		
Other LoBs	0.6%	0.7%	%0.4		
Total	4.0%	4.8%	%3.9		

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Policy costs mainly relate to commissions paid to sales representatives, brokers and agents. These costs are generally in line with movements in gross written premiums earned.

The medical and motor LoBs constitute the two largest LoBs that contributed to the total costs of policies acquiring, collectively representing an average of 85.9%, 85.5% and 88.5% of the total policies costs in 2020G, 2021G and 2022G, respectively.

The costs of insurance policies acquisition increased by 29.7% from SAR 17.3 million in 2020G to SAR 22.5 million in 2021G. That is primarily because of the increase in policy acquisition costs attributable to the motor LoB due to the growth in the volume of business in this LoB, especially through online aggregators.

The policy acquisition costs increased by 36.8% from SAR 22.5 million in 2021G to SAR 30.7 million in 2022G. That is primarily because of the increase in policy acquisition costs attributable to the motor LoB due to the growth in the volume of business in this LoB, especially through e online aggregators.

5.7.11 General and administrative expenses

The following table presents the general and administrative expenses for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G.

Table 25: General and administrative expenses

Type of Insurance (SAR '000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Staff Costs	47,667	49,204	40,005	3.2%	(%18.7)
Depreciation and amortization	11,250	11,516	4,690	2.4%	(%59.3)
Information Technology	4,632	6,003	4,420	29.6%	(%26.4)
Training and Development	30	146	113	386.7%	(%22.6)
Travel and accommodation	353	382	226	8.2%	(%40.8)
Telecommunication	2,456	2,020	2,034	(17.8%)	%0.7
Stationary and Prints	331	388	382	17.2%	(1.5%)
Benefits	281	283	204	0.7%	(%27.9)
Maintenance and repair	548	631	1,037	15.1%	%64.3
Auditing and professional fees	3,994	3,365	4,259	(15.7%)	%26.6
Marketing and advertisement	885	1,122	737	26.8%	(%34.3)
Other	10,307	19,827	16,631	92.4%	(%16.1)
Total	82,734	94,887	17,342	14.7%	(%21.2)

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

5.7.11.1 Staff Costs

Staff costs represent the main expense within general and administrative expenses, as they constituted 57.9%, 51.9% and 52.8% of the total general and administrative expenses in the years 2020G, 2021G, and 2022G, respectively.

Staff costs increased by 3.2% from SAR 47.7 million in 2020G to SAR 49.2 million in 2021G, mainly due to the increase in the cost of end-of-service indemnities paid to employees following the Company's restructuring that resulted in reducing the number of employees from 345 at the end of 2020G to 255 as at the end of 2021G, whereby the Company paid additional settlements to the employees whose contracts were terminated.

However, staff costs decreased by 18.7% from SAR 49.2 million in 2021G to SAR 40.0 million in 2022G. This decrease was mainly driven by the Company's adoption of a commission-based reward system for the sales department employees instead of salaries, in addition to a decrease the number of employees from 255 in 2021G to 242 in 2022G.

5.7.11.2 Depreciation and amortization

There is no material change in depreciation and amortization expenses in 2021G compared to 2020G. These expenses were slightly increased by 2.4% from SAR 11.3 million in 2020G to SAR 11.5 million in 2021G.

In 2022G, depreciation and amortization expenses decreased by 59.3% from SAR 11.5 million in 2021G to SAR 4.9 million after the Company deactivated the SABB program in 2021G.

5.7.11.3 Other

Other expenses increased by 92.4% from SAR 3.10 million in 2020G to SAR 8.19 million in 2021G, mainly driven by higher banking expenses due to the increase in motor policies sales through the online aggregators.

The other expenses decreased by 16.1% to be SAR 16.6 million in 2022G.

5.8 Statement of Financial Position

The following table provides a summary of the Company's statement of financial position as at December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 26: Statement of Financial Position

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Total Assets	711,332	614,541	765,970	(13.6%)	24.6%
Total liabilities	502,738	518,057	728,202	3.0%	40.6%
Total Equity	208,594	96,484	37,768	(53.7%)	(60.9%)
Total Liabilities and Equity	711,332	614,541	765,970	(13.6%)	24.6%

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G

Total Assets

Total assets decreased by 13.6% from SAR 711.3 million as of 31 December 2020G to SAR 614.5 million as at 31 December 2021G, mainly due to a decrease in cash and cash equivalents and term deposits from SAR 159.2 million and SAR 148.3 million as of 31 December 2020G, respectively, to SAR 124.0 million and SAR 97.0 million as at 31 December 2021G, respectively, mainly due to Maturity of SAR 51.1 million term deposit and the use of cash to finance the Company's core operations.

Total assets increased by 24.6% to be SAR 766.0 million as at 31 December 2022G. This is mainly due to: 1) Term deposits increased by 146.5% from SAR 97.0 million as of 31 December 2021G to SAR 239.1 million as of 31 December 2022G as a result of a short-term deposit of SAR 164.1 million. This was partially offset by the disposal of deposits of SAR 22.0 million as of 31 December 2022G; and 2) An increase in the balance of premiums and reinsurers from SAR 54.7 million as of 31 December 2021G to SAR 85.3 million of at 31 December 2022G in line with the growth in gross written premiums. Partially offset by a decrease in the balance of investments from SAR 168.5 million as of 31 December 2021G to SAR 82.7 million as of 31 December 2022G. This is mainly caused by the disposal of investments held at fair value through the statement of income and investments held to maturity.

Total liabilities

Total liabilities increased by 3.0% from SAR 502.7 million as of 31 December 2020G to SAR 518.1 million as of 31 December 2021G. This is mainly due to an increase in unearned insurance premiums by 4.8% amounting to SAR 228.8 million as of December 31, 2021G in line with an increase in gross written premiums, in addition to an increase in the premium deficiency reserve by 100.0% to reach SAR 6.7 million as of 31 December 2021G based on the recommendation of the actuary.

Total liabilities increased by 40.6% amounting to SAR 728.2 million as of 31 December 2022G. This is mainly caused by an increase in unearned premium balances by 86.2% from SAR 228.8 million as of 31 December 2021G to SAR 426.0 million as of 31 December 2022G in line with an increase in gross written premiums.

Total Equity

Total equity decreased by 53.7% from SAR 208.6 million to SAR 96.5 million as of 31 December 2021G. This is mainly caused by an increase in accumulated losses by 242.5% to reach SAR 158.8 million as of 31 December 2021G due to losses incurred in 2021G.

Total equity decreased by 60.9% to be SAR 37.8 million as of 31 December 2022G. This is mainly caused by a comprehensive loss of SAR 58.7 million for 2022G. The Company's capital was reduced by 60.0% from SAR 250.0 million as of 31 December 2021G to SAR 100.0 million as of 31 December 2022G to amortize accumulated losses, which resulted in a decrease in the balance of accumulated losses to reach SAR 62.1 million as

of 31 December 2022G.

5.8.1 Assets

The following table shows the Company's total assets as at December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 27: Assets

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Cash and Cash Equivalents	159,246	124,016	134,765	(22.1%)	%8.7
Term Deposits	148,318	97,000	239,076	(34.6%)	%146.5
Premiums and reinsurers' receivable –net	40,896	54,672	85,342	33.7%	%56.1
Reinsurers' share of unearned premiums	23,270	25,555	41,878	9.8%	%63.9
Reinsurers' share of outstanding claims	20,910	19,975	28,976	(4.5%)	%45.1
Reinsurers' share of claims incurred but not reported	11,782	13,866	13,493	17.7%	(%2.7)
Deferred policy acquisition costs	21,020	27,707	42,239	31.8%	%52.4
Investments	168,874	168,453	82,678	(0.2%)	(%50.9)
Prepaid expenses and other assets	42,232	19,154	31,481	(54.6%)	%64.4
Right to use assets, net	21,927	18,231	17,454	(16.9%)	(%4.3)
Property and equipment, net	7,150	4,107	5,154	(42.6%)	%25.5
Intangible Assets, net	4,539	418	1,021	(90.8%)	%144.3
Statutory deposit	37,500	37,500	37,500	0.0%	0.0%
Accrued commission on statutory deposit	3,668	3,887	4,913	6.0%	%26.4
Total Assets	711,332	614,541	765,970	(13.6%)	%24.6

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

5.8.1.1 Cash and Cash Equivalents

Cash and cash equivalents constituted 22.4%, 20.2% and 17.6% of total assets as of 31 December 2020G, 2021G and 2022G, respectively. Cash and cash equivalents consist of cash in hand, current accounts with banks. The majority of bank accounts are with the Saudi British Bank and Banque Saudi Fransi (BSF).

Cash and cash equivalents decreased by 22.1% from SAR 159.2 million as of 31 December 2020G to SAR 124.0 million as of 31 December 2021G, mainly due to the Company's use of cash to finance key operations.

The balance of cash and cash equivalents increased by 8.7% to reach SAR 134.8 million as of 31 December 2022G, due to the growth in the volume of business in addition to proceeds from the maturity of investments, part of which was invested in term deposits.

5.8.1.2 Term Deposits

Term deposits consist of term deposits with banks with maturity dates of more than three months from the date of their original deposit as at December 31, 2020G, December 31, 2021G and December 31, 2022G.

The balance of term deposits decreased from SAR 148.3 million as of December 31, 2020G to SAR 97.0 million as of December 31, 2021G, as a result of the maturity of some term deposits and not renewing their term in order to finance the Company's main operations.

The balance of term deposits increased by 146.5% to be SAR 239.1 million as of 31 December 2022G, as a result of the placement of five new deposits amounting to SAR 164.1 million, partially offset by derecognized deposits of SAR 22.0 million as of 31 December 2022G.

5.8.1.3 Insurance premiums receivable and reinsurance receivables, net

The following table shows the insurance premiums receivable and reinsurance receivables as at December 31, 2020G, December 31, 2021G and December 31, 2022G.

Table 28: Premiums and reinsurers' receivable, net

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Insurance policyholders	74,563	92,983	130,807	24.7%	40.7%
Receivables from reinsurers	3,701	6,073	4,558	64.1%	(24.9%)
Total	78,264	99,056	135,365	26.6%	36.7%
Allowance for doubtful receivables	(37,368)	(44,384)	(50,023)	18.8%	12.7%
Premiums and reinsurers' receivable, net	40,896	54,672	85,342	33.7%	56.1%

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Premiums receivable are recognized based on gross written insurance premiums receivable from insurance contracts, less a provision for any uncollectible amounts. Reinsurance balances and premiums are recognized when due and measured at initial recognition at the fair value of the consideration received or payable. The carrying amount of receivables is reviewed for impairment, and when events or conditions indicate that the carrying amount may not be recoverable, an impairment loss is separately included under "allowance for impairment of insurance and reinsurance premium receivables" in the statement of income. Balances receivable are derecognized when the Company has no control over the contractual rights to the balance, which is normally the case when the balance due is sold, or when all of the cash flows related to the balance are transferred to an independent third party.

Net premiums and reinsurers receivables increased by 33.7% from SAR 40.9 million as at 31 December 2020G to SAR 54.7 million as at 31 December 2021G due to an increase in the balance of policyholders from SAR 74.6 million as at 31 December 2020G to SAR 93.0 million as at 31 December 2021G, in addition to an increase in the balance receivable from reinsurers from SAR 3.7 million as at 31 December 2020G to SAR 6.1 million as at 31 December 2021G in line with the increase in gross written premiums.

Net receivable insurance premiums and reinsurance receivables increased by 40.7% to SAR 85.3 million as of 31 December 2022G due to the increase in policyholders' balance to SAR 130.8 million as of 31 December 2022G, driven by growth of business and gross written premiums.

The following table shows ages of receivable insurance premiums and reinsurance receivables as of December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 29: Ageing of premium receivable- net insurance contracts

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Up to three months	23,072	36,645	52,617	58.8%	43.6%
From 3-6 months	2,797	3,111	14,675	11.2%	371.7%
From 6-12 months	3,139	3,527	5,672	12.4%	60.8%
More than 12 months	11,888	11,389	12,378	(4.2%)	8.7%

Total	40,896	54,672	85,342	33,7%	56.1%
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Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

The ages of receivables in the table above indicate that 29.1%, 20.8% and 14.5% of reinsurers' premiums and receivables as of 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively, were outstanding for a period exceeding one year.

The Company, based on past experience, expects to collect premiums and insurance receivables that are past due and not fully impaired. It is not the Company's policy to obtain collateral for the receivables, and therefore most of them are without collateral. The balances of the top five clients constitute 22% of the total premium's receivable as at December 31, 2022G (2021G: 21%, 2020G: 26%). Premium's receivable consist of a large number of clients and insurance companies mostly in Saudi Arabia.

5.8.1.4 Allowance for doubtful debts

Table 30: Movement in allowance for doubtful debts

(SAR' 000)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Balance at the beginning of the year	37,130	37,368	44,384	0.6%	18.8%
Provision for the year	238	7,016	5,639	2847.9%	(19.6%)
Balance at the end of the year	37,368	44,384	50,023	18.8%	12.7%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

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 contractual terms of the debtors. Significant or material financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are indicators that the receivable is impaired.

Allowance for doubtful debts increased from SAR 37.4 million as of 31 December 2020G to SAR 50.0million as at 31 December 2022G, mainly as a result of the increase in receivables balances during the period.

5.8.1.5 Deferred policy acquisition costs

The following table shows the movement in deferred underwriting costs as at 31 December 2020G, 31 December 2021G and 31 December 2022G:

Table 31: Movement in deferred acquisition costs

(SAR' 000)	31 December 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Balance at the beginning of the year	9,033	21,020	27,707	132.7%	31.8%
Incurred during the year	29,299	29,140	45,246	(0.5%)	55.3%
Amortized during the year	(17,312)	(22,453)	(30,714)	29.7%	36.8%
Balance at the end of the year	21,020	27,707	42,239	31.8%	52.4%

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

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, to the extent that these costs are recoverable out of future premiums. 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 embedded in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimates.

The following table shows the analysis of deferred insurance policies costs by LoB as of 31 December 2020G, 31 December 2021G and 31 December 2022G.

Table 32: Deferred policy acquisition costs

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021 - 2022
Medical insurance	5,003	4,547	9,569	(9.10%)	110.4%
Motor insurance	14,120	20,700	30,491	46.60%	47.30%
Other	1,897	2,460	2,179	29.70%	(11.4%)
Deferred policy acquisitions costs	21,020	27,707	42,239	31.80%	52.4%
As a percentage of commissions paid by LoB					
Medical insurance	83.20%	75.60%	120.0%		
Motor insurance	159.30%	156.90%	158.8%		
Other	77.80%	75.70%	61.6%		
Total	121.40%	123.40%	137.5%		

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Deferred insurance policy costs increased by 31.8% from SAR 21.0 million as of 31 December 2020G to SAR 27.7 million as of 31 December 2021G. This is caused by an increase in the acquisition costs of deferred policies costs for the motor LoB by 46.6% from SAR 14.1 million as of 31 December 2020G to SAR 20.7 million as of 31 December 2021G, in line with the increase in gross written premiums for the motor LoB in 2021G compared to 2020G.

Deferred policy costs increased by 52.4% to SAR 42.2 million as at 31 December 2022G, due to the increase in the acquisition costs of deferred insurance policies for the motor LoB by 47.3% from SAR 20.7 million as at 31 December 2021G to SAR 30.5 million as at 31 December 2022G, in addition to an increase in the acquisition costs of deferred insurance policies for the medical LoB by 110.4% from SAR 4.5 million as at 31 December 2021G to SAR 9.6 million as at 31 December 2022G in line with business growth in these LoBs in the financial year 2022G.

5.8.1.6 Investments

The following table shows the investments as of December 31, 2020G, December 31, 2021G and December 31, 2022G.

Table 33: Investments

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Investments Classified at Fair Value through Statement of Income	151,968	101,547	20,755	(33.20%)	(79.6%)
Investments held to maturity	14,983	64,983	60,000	333.70%	(7.70%)
Investments available for sale:	1,923	1,923	1,923	0.00%	0.00%
Total	168,874	168,453	82,678	(0.20%)	(50.9%)

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

The following table shows the breakdown of investments classified at fair value through the income statement as of 31 December 2020G, 31 December 2021G and 31 December 2022G:

Table 34: Breakdown of Investments Classified at Fair Value through Statement of Income

(SAR' 000)	31 December, 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Investment in equity securities	31,661	32,384	-	2.30%	(100.00%)
Units in local sukuk funds	55,068	-	-	(100.00%)	N/A
Local DPM money market funds	31,997	25,921	20,754	(19.00%)	(19.90%)
Units in local real estate funds	10,041	9,394	-	(6.40%)	(100.00%)
Local DPM equity securities	23,201	33,848	-	45.90%	(100.00%)
Total	151,968	101,547	20,755	(33.20%)	(79.60%)

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

The following table shows the movement in investments classified at fair value through the income statement as of 31 December 2020G, 2022 December 2021G and 31 December 2022G:

Table 35: Movements in Investments Classified at Fair Value through Statement of Income

(SAR' 000)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Balance at the beginning of the year	79,488	151,968	101,547	91.20%	(33.20%)
Purchased during the year	81,931	8,838	90,036	(89.20%)	918.70%
Disposals during the year	(13,071)	(69,382)	(169,656)	430.80%	144.52%
Realized gain (losses) during the year	-	91,424	21,927	(38.40%)	(76.00%)
Total	148,348	10,123	(1,172)	179.60%	(111.60%)
Change in fair value	3,620	101,547	20,755	(33.20%)	(79.60%)
Balance at the end of the year	151,968	151,968	101,547	91.20%	(33.20%)

Source: The audited financial statements for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G.

The following table shows movements in investments held to maturity as of 31 December 2020G, 31 December 2021G and 31 December 2022G.

Table 36: Movements in investments held to maturity

(SAR' 000)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Balance at the beginning of the year	36,979	14,983	64,983	(59.50%)	333.70%
Disposals during the year	(21,996)	-	(4,983)	(100.00%)	N/A
Due during the year	-	-	-	N/A	N/A
Purchased during the year	-	50,000	-	N/A	(100.00%)
Amortized during the year	-	-	-	N/A	N/A
Balance at the end of the year	14,983	64,983	60,000	333.70%	(7.70%)

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

There was no material change in total investments as of 31 December 2021G compared to total investments as of 31 December 2020G since the investments classified at fair value through the income statement decreased by 33.2% from SAR 152.0 million as of 31 December 2020G to SAR 101.6 million as of 31 December 2021G, partially offset by an increase in investments held to maturity by 333.7% from SAR 15.0 million as of 31

December 2020G to SAR 65.0 million as of 31 December 2021G.

Total investments decreased by 50.9% to SAR 82.7 million as of 31 December 2022G, due to a 79.6% decrease in investments classified at fair value through the income statement to SAR 20.8 million as of 31 December 2022G. This is mainly caused by the disposal of investments held at fair value through the income statement of SAR 169.7 million as well as the disposal of investments held to maturity amounting to SAR 5.0 million Saudi Arabia, partially offset by additions to investments classified at fair value through the income statement of SAR 90.0 million during the year 2022G.

5.8.1.7 Prepaid Expenses and Other Assets

The following table shows Prepayments and other assets as of December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 37: Prepaid Expenses and Other Assets

(SAR' 000)	31 December 2020G (Audited)	December 31 2021G (Audited)	December 31 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Prepayments	2,115	1,504	1,247	(28.9%)	(17.1%)
Advances to Staff	2,728	2,619	1,694	(4.0%)	(35.3%)
Deposits	300	300	300	0.0%	0.0%
Accrued commissions	178	444	1,122	149.4%	152.7%
Co-insurance income receivable	5,261	558	13,732	(89.4%)	2,360.9%
Discount volume Incentive receivable	5,984	1,895	1,995	(68.3%)	5.3%
Advances to suppliers	3,994	6,268	7,962	57.0%	27.0%
Other receivables	21,673	5,566	3,429	(74.3%)	89.8%
Total	42,232	19,154	31,481	(54.6%)	64.4%

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Prepaid expenses and other assets decreased by 54.6% from SAR 42.2 million as of 31 December 2020G to SAR 19.2 million as of 31 December 2021G, mainly due to a decrease in the balance of other receivables by 89.8% from SAR 21.7 million as of 31 December 2020G to SAR 5.6 million as of 31 December 2021G as intermediate accounts of SAR 15.1 million as of 31 December 2021G were settled December 2020G to zero as of 31 December 2021G in addition to the decrease in the balance of income due from cooperative insurance (related to the Hajj and Umrah Fund) from SAR 5.3 million as of 31 December 2020G to SAR 0.6 million as of 31 December 2021G.

Prepaid expenses and other assets increased by 64.4% to SAR 31.5 million as of 31 December 2022G compared to prepaid expenses and other assets as of 31 December 2021G, mainly due to an increase in the balance of receivables of the Hajj and Umrah Fund from SAR 0.6 million as of 31 December 2021G to SAR 13.7 million as of 31 December 2022G.

5.8.1.8 Right of use assets

The Company assesses whether a contract contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as

this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 11 years for offices. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The right to use assets decreased from SAR 21.9 million as of 31 December 2020G to SAR 17.5 million as of 31 December 2022G, mainly caused by depreciation charged and disposal of SAR 0.7 million in closed points of sale.

5.8.1.9 Property and equipment

The following table shows property and equipment, net as of December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 38: Property and equipment, net

(SAR' 000)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Motor vehicle	38	16	-	(57.90%)	(100.0%)
Furniture and fixtures	5,160	3,139	2,014	(39.20%)	(35.8%)
Computers and equipment	1,952	952	1,026	(51.20%)	7.8%
Capital work in progress	-	-	2,114	N/A	N/A
Total	7,150	4,107	5,154	(42.60%)	25.5%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Net carrying amount of property and equipment decreased by 42.6% from SAR 7.2 million as of 31 December 2020G to SAR 4.1 million as of 31 December 2021G, as a result of depreciation carried for the year in the amount of SAR 3.5 million for the year 2021G.

Net carrying amount of property and equipment increased by 25.5% to SAR 5.2 million as of 31 December 2022G compared to carrying amount value of property and equipment as of 31 December 2021G, mainly caused by work in progress of SAR 2.1 million as of 31 December 2022G represented by the Company's IT server upgrade and purchase project.

5.8.1.10 Intangible Assets

Intangible assets include computer software and licenses that are measured at cost. Intangible assets with defined useful lives are amortized over the estimated useful life according to the expected consumption pattern of economic benefits. The estimated useful life of the software is 5 years while the estimated useful life of the licenses is 4 years.

In 2021G, and upon the approval of the Board of Directors, the Company charged additional amortization expenses to deactivate the SABB system. The Company has adopted one ready-made Articles of Association that can help achieve a strategic advantage as SAPP is not considered the best option to achieve this advantage according to the Company.

Intangible assets decreased from SAR 4.5 million as of 31 December 2020G to SAR 418 thousand as of 31 December 2021G. This is mainly caused by the write-off of the carrying amount of the SAPP system (SAR 8.0 million) where the Company adopted one ready-made Articles of Association that can help achieve a strategic advantage and that SAPP is not the best option to achieve this advantage according to management.

Intangible assets increased to SAR 1.0 million as of December 31, 2022G, due to additions to Aman software of SAR 0.9 million, partially offset by carried depreciation of SAR 0.3 million.

5.8.1.11 Statutory deposit

The statutory deposit represents 15% of the paid-up and held capital, in accordance with the requirements of the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia. In accordance with the instructions of the Saudi Central Bank in the circular issued on March 1, 2016G, the Company has recognized the commissions payable for the statutory deposit as of December 31, 2020G, December 31, 2021G and December 31, 2022G as an asset and liability in these financial statements.

5.8.2 Liabilities

The following table shows the liabilities as of December 31, 2020G, December 31, 2021G and December 31, 2022G.

Table 39: Liabilities

(SAR '000)	31 December 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Liabilities					
Policyholders claims payable	13,522	11,421	7,407	(15.5%)	(35.2%)
Receivable Accrued and other liabilities	30,365	35,982	42,179	18.5%	17.2%
Lease liabilities	19,922	20,335	18,493	2.1%	(9.0%)
Reinsurers' balances payable	4,429	984	13,214	(77.8%)	1242.9%
Unearned Premiums	218,302	228,830	426,038	4.8%	86.2%
Unearned reinsurance commission	3,733	4,351	3,835	16.6%	(11.9%)
Outstanding Claims	27,754	22,859	26,987	(17.6%)	18.0%
Claims Incurred but not Reported Claims	121,706	123,883	121,358	1.8%	(2.0%)
Premium deficiency reserve	-	6,700	3,834	N/A	(42.8%)
Other Technical Reserves	3,096	7,892	7,190	154.9%	(8.9%)
Employee Benefits Obligations	9,701	7,895	6,716	(18.6%)	(14.9%)
Surplus distribution payable	15,409	15,409	15,409	0.0%	0.0%
Provision for zakat	31,131	27,629	30,629	(11.2%)	10.9%
Accrued commission income payable to SAMA	3,668	3,887	4,913	6.0%	26.4%
Total liabilities	502,738	518,057	728,202	3.0%	40.6%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

5.8.2.1 Policyholders claims payable

Policyholders claims payable decreased by 15.5% from SAR 13.5 million as of 31 December 2020 to SAR 7.4 million as of 31 December 2022, due to settlement of some claims.

5.8.2.2 Accrued expenses and other liabilities

The following table shows accrued expenses and other liabilities as of December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 40: Accrued expenses and other liabilities

(SAR' 000)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Payable to agents and brokers	11,298	12,032	20,686	6.50%	71.9%
Payable to government entities	672	2,770	12,142	312.2%	338.3%
Payable to suppliers	11,419	14,921	7,917	30.7%	(46.9%)
Payable to third party administrator	4	729	710	18,150.0%	(2.6%)
Accrued expenses	6,704	397	525	(94.10%)	32.2%
Other liabilities	12,363	5,133	199	1,815.3%	(96.1%)
Total	30,365	35,982	42,179	18.50%	17.2%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Accrued expenses and other liabilities increased by 18.5% from SAR 30.4 million as at 31 December 2020G to SAR 36.0 million as at 31 December 2021G, as a result of an increase in the balance of payables to suppliers from SAR 11.4 million as at 31 December 2020G to SAR 14.9 million as at 31 December 2022G in addition to an increase in payable to government entities from SAR 0.7 million as at 31 December 2020G to SAR 2.8 million as on 31 December 2021G. This was partially offset by a decrease in accrued expenses from SAR 6.7 million as of 31 December 2020G to SAR 0.4 million as of 31 December 2021G.

Accrued expenses and other liabilities increased by 17.2% to SAR 42.2 million as of 31 December 2022G compared to accrued expenses and other liabilities as of 31 December 2021G. This is mainly caused by an increase in the balance of amounts payable to brokers and agents by 71.9% from SAR 12.0 million as of 31 December 2021G to SAR 20.7 million as at 31 December 2022G, in line with the increase in gross written premiums, in addition to an increase in amounts payable to government entities by 338.3% to SAR 12.1 million as of 31 December 2022G as a result of the increase in VAT due from zero as of 31 December 2021G to SAR 6.7 million as of 31 December 2022G. This was partially offset by a decrease in the balance of payables to suppliers from SAR 14.9 million as of 31 December 2021G to SAR 7.9 million as of 31 December 2022G, in addition to a decrease in other liabilities by 96.1% to reach SAR 0.2 million as of 31 December 2022G.

5.8.2.3 Lease obligations

Lease obligations decreased from SAR 19.9 million as of 31 December 2020G to SAR 18.5 million as of 31 December 2022G. This is mainly caused by the disposal of SAR 0.7 million from site rents represented in offices and points of sale in addition to annual payments of the principal's obligation amount.

5.8.2.4 Reinsurers' balances payable

Reinsurers' balances payable decreased by 77.8% from SAR 4.4 million as of 31 December 2020G to SAR 948 thousand as of 31 December 2021G, mainly due to the settlement of a reinsurers' due amount of SAR 5.1 million.

Reinsurers' balances payable increased by 1,242.9% to SAR 13.2 million as of 31 December 2022G compared to reinsurers' balances payable as of 31 December 2021G, in line with business growth in the year.

5.8.2.5 Unearned premiums and reinsurers' share of unearned premiums

The following table shows the unearned premiums and reinsurers' share of unearned premiums as of 31 December 2020G, 31 December 2021G and 31 December 2022G:

Table 41: Unearned premiums and reinsurers' share of unearned premiums

(SAR' 000)	31 December 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	43,935	41,948	70,077	(4.50%)	67.1%
Motor insurance	159,757	168,303	340,546	5.30%	102.3%
Other LoBs	14,610	18,579	15,415	27.20%	(17.0%)
Unearned Premiums	218,302	228,830	426,038	4.80%	86.2%
Medical insurance	-	-	-	N/A	N/A
Motor insurance	(15,975)	(16,829)	(34,054)	5.30%	102.4%
Other LoBs	(7,295)	(8,726)	(7,824)	19.60%	(10.3%)
Reinsurers' share of unearned premiums	(23,270)	(25,555)	(41,878)	9.80%	63.9%
Unearned Premiums, net	195,032	203,275	384,160	4.20%	89.0%
Unearned premiums as a percentage of gross written premiums					
Medical insurance	10.30%	9.00%	8.8%		
Motor insurance	37.40%	36.00%	43.0%		
Other LoBs	3.40%	4.00%	1.9%		
Total	51.10%	48.90%	53.8%		
Reinsurers' share of unearned premiums as a percentage of unearned premiums					
Medical insurance	0.00%	0.00%	0.00%		
Motor insurance	10.00%	10.00%	10.00%		
Other LoBs	49.90%	47.00%	53.20%		
Total	10.70%	11.20%	10.00%		

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Unearned Premiums

Premiums are carried to the income statement on a proportional basis over the periods of the relevant insurance policies. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The motor LoB represents 73.2%, 73.5% and 79.9% of total unearned premiums as of 31 December 2020G, 2021G and 2022G, respectively. The medical LoB represents 20.1%, 18.3% and 16.4% of total unearned premiums as of 31 December 2020G, 2021G and 2022G, respectively. While the other LoBs represent 6.7%, 8.1% and 3.6% of the total unearned premiums as of 31 December 2020G, 2021G and 2022G, respectively.

Total unearned premiums increased by 4.8% from SAR 218.3 million as at 31 December 2020G to SAR 228.8 million as at 31 December 2021G, mainly due to the increase in unearned premiums for the motor LoB by 5.3% from SAR 159.8 million as at 31 December 2020G to SAR 168.3 million as at 31 December 2021G in addition to the increase in the other LoBs by 27.2% from SAR 14.6 million as at 31 December 2020G to SAR 18.6 million as at 31 December 2021G.

Total unearned premiums increased by 86.2% to SAR 426.0 million as at 31 December 2022G, mainly driven by an increase in unearned premiums in the motor LoB by 102.3% from SAR 168.3 million as at 31 December 2021G to SAR 340.5 million as at 31 December 2022G in addition to an increase in total unearned premiums in the medical LoB by 67.1% from SAR 41.9 million as at 31 December 2021G to SAR 70.1 million as at 31 December 2022G, in line with the increase in total written premiums in both LoBs.

Reinsurers' share of unearned premiums

Reinsurers' share of unearned premiums is calculated on a proportional basis using the same mechanism of calculating unearned insurance premiums. Reinsurers' share of unearned premiums coincides proportionally with the reinsurers' share of written premiums under reinsurance agreements. The other LoBs had the highest ceded rate compared to the motor and medical LoBs.

Reinsurers' share of unearned premiums increased from SAR 23.3 million as of 31 December 2020G to SAR 25.6 million as of 31 December 2021G. This is mainly caused by an increase in the reinsurers' share of unearned premiums for other LoBs from SAR 7.3 million as of 31 December 2020G to SAR 8.7 million as of 31 December 2021G in line with the increase in total insurance premiums in other LoBs and as the other LoBs have the highest cession rate compared to the medical and motor LoBs.

Reinsurers' share of unearned premiums increased by 63.9% to SAR 41.9 million as of 31 December 2022G, due to the increase in the reinsurers' share of unearned premiums ceded to the motor LoB by 102.4% to reach SAR 34.1 million as of 31 December 2022G, in line with the increase in gross written premiums in the motor LoB.

5.8.2.6 Unearned reinsurance commission

The following table shows the unearned reinsurance commission as of December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 42: Movements in unearned reinsurance commission

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Balance at the beginning of the year	3,401	3,733	4,351	9.8%	16.6%
Commissions received during the year	7,299	9,043	8,763	23.9%	(3.1%)
Commissions earned during the year	(6,967)	(8,425)	(9,279)	20.9%	(10.1%)
Balance at the end of the year	3,733	4,351	3,835	16.6%	(11.9%)

Source: The audited financial statements for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G.

Commissions related to reinsurance contracts issued under the terms of the insurance contracts to which they relate, are deferred and amortized, similar to premiums earned. Amortization is recorded in the statement of income.

The following table presents the unearned reinsurance commission by LoB for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 43: Unearned reinsurance commission

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	-	-	-	N/A	N/A
Motor insurance	1,836	1,960	1,775	6.8%	(9.4%)
Other LoBs	1,897	2,391	2,060	26.0%	(13.8%)
Unearned reinsurance commission	3,733	4,351	3,835	16.6%	(11.9%)

Source: The audited financial statements for the financial years ended December 31, 2020G, December 31, 2021G, and December 31, 2022G.

Unearned reinsurance commission increased from SAR 3.7 million as of 31 December 2020G to SAR 4.4 million as of 31 December 2021G. This is mainly caused by an increase in the unearned reinsurance commission for other LoBs from SAR 1.9 million as of 31 December 2020G to SAR 2.4

million as of 31 December 2021G in line with the increase in reinsurers' share of unearned premiums in other LoBs.

There is no material change in unearned reinsurance commission as of 31 December 2022G compared to 31 December 2021G.

5.8.2.7 Outstanding claims and reinsurers' share of outstanding claims

The following table shows the outstanding claims and reinsurers' share of outstanding claims as of 31 December 2020G, 31 December 2021G and 31 December 2022G:

Table 44: Outstanding claims and reinsurers' share of outstanding claims

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	8,907	7,627	8,961	(14.4%)	17.5%
Motor insurance	(11,167)	(13,630)	(15,602)	22.1%	14.5%
Other LoBs	30,014	28,862	33,628	(3.8%)	16.5%
Outstanding Claims	27,754	22,859	26,987	(17.6%)	18.1%
Medical insurance	-	-	-	N/A	N/A
Motor insurance	1,526	1,476	1,597	(3.3%)	8.2%
Other LoBs	(22,436)	(21,451)	(30,573)	(4.4%)	42.5%
Reinsurers' share of outstanding claims	(20,910)	(19,975)	(28,976)	(4.5%)	45.1%
Outstanding Claims, net	6,844	2,884	(1,989)	(57.9%)	(169.0%)
Reinsurers' share of outstanding claims as a percentage of outstanding claims					
Medical insurance	0.0%	0.0%	0.0%		
Motor insurance	13.7%	10.8%	10.2%		
Other LoBs	74.8%	74.3%	90.9%		
Total	75.3%	87.4%	107.4%		

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Outstanding Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses after excluding salvage value and other recoveries and are charged to statement of income as incurred. 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, the impairment in the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid at 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 and the expected value of salvage and other recoveries as at the date of the statement of financial position. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Gross outstanding claims decreased by 17.6% from SAR 27.8 million as of 31 December 2020G to SAR 22.9 million as of 31 December 2021G. This is mainly caused by a decrease in outstanding claims of the motor LoB by 22.1% from SAR 11.2 million as of 31 December 2020G to SAR 13.6 million as of 31 December 2021G, as a result of the Company's settlement of claims and the amounts of recoveries and salvage exceeded the

remaining balance after settlement.

Gross outstanding claims increased by 18.1% to reach SAR 27.0 million as of December 31, 2022G, as a result of the increase in outstanding claims of other LoBs by 16.5% to reach SAR 33.6 million as of December 31, 2022G where a claim was submitted by a major customer of SAR 10.1 million attributed to the fire LoB (SAR 9.8 million reinsured).

Reinsurers' share of outstanding claims

Recoverable amounts are estimated consistent with the provision for outstanding claims and are made in accordance with reinsurance contracts.

There is no material change in the reinsurers' share of claims as of 31 December 2021G compared to the balance as of 31 December 2020G.

Reinsurers' share of outstanding claims increased by 45.1% to reach SAR 29.0 million as of 31 December 2022G, mainly due to the increase in the reinsurers' share in outstanding claims for other LoBs by 42.5% from SAR 21.5 million as of 31 December 2021G to SAR 30.1 million as of 31 December 2022G, in line with the increase in outstanding claims of other LoBs.

5.8.2.8 Incurred but not Reported Claims and reinsurers' share of incurred but not reported claims

The following table shows the incurred but not reported claims and reinsurers' share of incurred but not reported claims as of 31 December 2020G, 31 December 2021G and 31 December 2022G:

Table 45: Incurred but not Reported Claims and reinsurers' share of incurred but not reported claims

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Medical insurance	18,058	10,751	8,436	(40.5%)	(21.5%)
Motor insurance	100,402	108,154	111,270	7.7%	2.9%
Other LoBs	3,246	4,978	1,652	53.4%	(66.8%)
Incurred but not Reported Claims	121,706	123,883	121,358	1.8%	(2.0%)
Medical insurance	(1,348)	(915)	(870)	(32.1%)	(4.9%)
Motor insurance	(7,783)	(9,885)	(11,489)	27.0%	16.2%
Other LoBs	(2,651)	(3,066)	(1,134)	15.7%	(63.0%)
Reinsurers' share of incurred but not reported claims	(11,782)	(13,866)	(13,493)	17.7%	(2.7%)
Incurred but not Reported Claims, net	109,924	110,017	107,865	0.1%	(2.0%)
Incurred but not Reported Claims as a percentage of outstanding but not reported claims					
Medical insurance	7.5%	8.5%	10.3%		
Motor insurance	7.8%	9.1%	10.3%		
Other LoBs	81.7%	61.6%	68.6%		
Total	9.7%	11.2%	11.1%		

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Incurred but not reported claims increased from SAR 121.7 million as of 31 December 2020G to SAR 123.9 million as of 31 December 2021G. This is mainly caused by an increase in incurred but not reported claims for the motor LoB from SAR 100.4 million as of 31 December 2020G to SAR 108.2 million as of 31 December 2021G based on the recommendation of the actuary, partially offset by a decrease in incurred but not reported claims for the medical LoB from SAR 18.1 million as of 31 December 2020G to SAR 10.8 million as of 31 December 2020G based on the recommendation of the actuary.

Incurring but not reported claims increased by 2.0% to reach SAR 121.4 million as of 31 December 2022G. This is mainly caused by a decrease in incurred but not reported claims for the medical LoB and other LoBs from SAR 10.8 million and SAR 5.0 million as of 31 December 2021G, respectively, to SAR 8.4 million and SAR 1.7 million as of 31 December 2022G based on the recommendation of the actuary, partially offset by a decrease in incurred but not reported claims for the motor LoB from SAR 108.2 million as of 31 December 2021G to SAR 111.3 million as of 31 December 2022G based on the recommendation of the actuary.

5.8.2.9 Premiums deficiency reserve

Insurance premium deficiency reserve increased from SAR 0 as of 31 December 2020G to SAR 6.7 million as of 31 December 2021G. Then, the premiums deficiency reserve decreased by 42.8% to reach SAR 3.8 million as of 31 December 2022G, based on the recommendation of the actuary.

5.8.2.10 Other Technical Reserves

Other technical reserves increased by 154.9% from SAR 3.1 million as of 31 December 2020G to SAR 7.9 million as of 31 December 2021G, then decreased by 8.9% to SAR 7.2 million as of 31 December 2022G, based on the recommendation of the actuary.

5.8.2.11 Employee Benefits Obligations

Employee benefits obligations decreased from SAR 9.7 million as of 31 December 2020G to SAR 7.9 million as of 31 December 2021G. This is mainly caused by the payment of SAR 3.2 million to employees following a restructuring that resulted in a reduction in the number of employees.

Employee benefits obligations decreased from SAR 7.9 million as of 31 December 2021G to SAR 6.7 million as of 31 December 2022G. This is mainly caused by payment of dues to former employees.

5.8.2.12 Zakat and Income Tax

The Company submitted its zakat declarations for the year ended 31 December 2021G and obtained the necessary zakat and tax certificate.

ZATCA issued assessments covering from 2006G to 2012G and amounting to SAR 17.1 million, consisting of SAR 9.3 million as zakat differences, SAR 4.4 million as withholding tax differences, and SAR 3.4 million as fines. The Company settled the withholding tax differences amounting to 4.4 million Saudi Riyals and partially settled the delay fines amounting to 3.1 million Saudi Riyals. Accordingly, the Company issued a letter of guarantee of 9.5 million Saudi Riyals in favor of ZATCA for the zakat differences of the aforementioned years. During 2021G, the Company settled the liabilities from 2008G to 2012G and requested ZATCA to release the bank guarantee amounting to SAR 9.5 million.

A settlement request was submitted to ZATCA to pay 3 million Saudi Riyals to close the case, but the Zakat Disputes Committee reached a decision to settle 7.7 million Saudi Riyals to finalize the assessments for the mentioned years. ZATCA rejected the decision of the Zakat Disputes Committee, and upon the end of the hearing, the case was raised with the Appeal Committee. Management expects the Zakat liability to reach SAR 4.2 million based on the objection and the information submitted to ZATCA and to the committees.

ZATCA issued an assessment for 2014G, in which it requested an additional zakat liability amounting to 1.2 million Saudi Riyals. The assessment was objected to, and the objection was rejected by ZATCA. The case was escalated to the Tax Committees, and it is awaiting a decision. The management believes that Zakat liability will reach 1.2 million Saudi Riyals.

ZATCA issued an assessment for the years 2015G to 2018G, in which it requested an additional zakat liability amounting to SAR 14.1 million, and

a withholding tax liability for the years 2014G to 2018G amounting to SAR 7 million. During the year, the Company settled the withholding tax differences to access the benefits of the first phase of the revised governmental amnesty period (full exemption of penalties). The management believes that the volume of Zakat liability will reach to SAR 14.7 million.

During the year, the Company received Zakat assessments for the years 2019G and 2020G where ZATCA requested an additional liability amounting to SAR 11.4 million. The Company objected and the liability was later reduced to SAR 9.1 million. The Company paid SAR 2.3 million in order to object according to the Zakat regulation. The objection was referred to the general secretariat of the tax committees and the case is still under discussion.

5.8.2.13 Surplus distribution payable

There is no change in accrued surplus distribution as of 31 December 2020G, 31 December 2021G and 31 December 2022G.

5.8.2.14 Commitments and contingencies

Following are details on Commitments and contingencies as of December 31, 2020G, 2021G and 2022G.

Table 46: Commitments and contingencies

Shareholders (SAR '000)	December 31, 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Letters of guarantees in favour of non-government Customers	700	700		-	-
Letters of guarantees in favour of ZATCA	9,500	9,500		-	-
Total	10,200	10,200		-	-

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

The Company enters into insurance contracts and is subject to legal proceedings in the normal course of business. While it is not practical to forecast or determine the final results of all the existing and potential legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at the reporting date will have a material effect on its financial results, however management has made provisions to cover any contingent liabilities.

The Company's bankers have given guarantees to non-government customers amounting to 0.7 million Saudi Riyals as of December 31, 2022G (2021G: 0.7 million Saudi Riyals) in respect of motor insurance and to ZATCA amounting to 9.5 million Saudi Riyals as of December 31, 2022G (2021G: 9.5 million Saudi Riyals) in respect of Zakat assessments for the years 2008G to 2012G. During the year 2021G, the Company settled the liability from 2008G to 2012G and requested ZATCA to release the bank guarantee amounting to SAR 9.5 million.

5.9 Equity

The following table shows shareholders' rights as of December 31, 2020G, December 31, 2021G and December 31, 2022G:

Table 47: Equity

(SAR' 000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Shareholders equity					
Share Capital:	250,000	250,000	100,000	0.0%	(60.0%)
Statutory Reserve	5,003	5,003	-	0.0%	(100.0%)
Accumulated losses	(46,357)	(158,767)	(62,091)	242.5%	(60.9%)
Total Shareholders' Equity	208,646	96,236	37,909	(53.9%)	(60.6%)
Re-measurement reserve of defined benefit obligations	(52)	248	(141)	(576.9%)	(156.9%)
Total Shareholders' Equity	208,594	96,484	37,768	(53.7%)	(60.9%)

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

5.9.1 Capital

The authorized, issued and paid -up capital was SAR 250 million as at 31 December 2020G and 2021G, consisting of 25 million shares at a value of SAR 10 per share.

On August 16, 2022, the Company's shareholders approved at the Extraordinary General Assembly to reduce the capital by SAR 150 million and use the entire statutory reserve balance of SAR 5 million to amortize part of the accumulated losses. Accordingly, the capital and the accumulated losses were reduced by SAR 150 million. Reduction to the capital was by reducing 3 shares for every 5 shares owned by the shareholder. The purpose of this reduction is to restructure the Company's capital position in accordance with the Companies Law.

The Company's authorized, issued and fully paid- up capital was SAR 100 million as at 31 December 2022G, divided into 10 million ordinary shares at a value of SAR 10 per share.

The Company sets goals to maintain sound capital ratios to support business objectives and increase the value for shareholders.

The Company manages capital requirements by the regular identification of deficiencies between authorized and required capital levels. Adjustments to current capital levels are made in light of changes in market conditions and risks related to the Company's activities. To maintain or adjust the capital structure, the Company may adjust the amount of distributions paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has met the externally imposed capital compliance requirements during the financial year.

5.9.2 Accumulated losses

The accumulated losses increased by 242.5% from SAR 46.4 million as of 31 December 2020G to SAR 158.8 million as of 31 December 2021G, as

a result of losses incurred by the Company in 2021G.

Accumulated losses decreased by 60.9% from SAR 158.8 million as of 31 December 2021G to SAR 62.1 million as of 31 December 2022G, mainly caused by a net loss incurred during the year of SAR 58.7 million, partially offset by a capital reduction of SAR 150 million to amortize accumulated losses.

5.9.3 Re-measurement reserve of defined benefit obligations

The re-measurement reserve of defined benefit obligations increased from SAR 52 thousand as of 31 December 2020G to SAR 248 thousand as of 31 December 2021G.

The re-measurement reserve of defined benefit obligations decreased by 156.9% to reach SAR 141 thousand as of 31 December 2022G, based on the recommendation of the actuary.

5.9.4 Related Party Transactions and Balances

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

Below are the details of significant transactions with related parties as of December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 48: Transactions with related parties

(SAR '000)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Major shareholder					
Salama Company (IAIC) - United Arab Emirates*	-	-	970	N/A	(100.0%)
Entities controlled, jointly controlled, or significantly influenced by member of Board of Directors					
Salama Company (IAIC) - United Arab Emirates	-	(970)	-	N/A	
Al Mamoon Insurance Brokers	-	-	(884)**	N/A	(12.8%)
Ittihad Insurance Brokers	-	-	(36)**	N/A	(77.8%)

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

**These transactions are from the date of appointment of the relevant directors, i.e., September 11, 2022G.

Table 49: Balances with related parties

(SAR '000)	31 December 2020G (Audited)	31 December, 2021G (Audited)	31 December, 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Salama Company (IAIC) - United Arab Emirates	-	(970)	-	N/A	N/A
Al Mamoon Insurance Brokers	-	-	884	N/A	N/A
Ittihad Insurance Brokers	-	-	36	N/A	N/A
Total	-	(970)	920	N/A	N/A

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Table 50: Compensation of key management personnel

(SAR '000)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 December 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
End of service indemnities	2,975	1,395	4,698	(53.1%)	236.8%
Remuneration to those charged with governance	1,042	1,180	1,295	13.2%	9.7%
End of service indemnities	27	66	443	144.4%	571.2%
Total	4,044	2,641	6,436	(34.7%)	143.7%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

Compensation of key management personnel decreased by 34.7% from SAR 4.0 million as of December 31, 2020G to SAR 2.6 million as of December 31, 2021G, due to a decrease in the salaries and benefits of key management personnel from SAR 3.0 million as of December 31, 2021G to SAR 1.4 million as of December 31, 2021G due to CFO resignation at the end of 2020G and Executive Director resignation at the end of 2021G.

Compensation of key management personnel increased by 143.7% to reach SAR 6.4 million as of December 31, 2022G, mainly driven by the increase in salaries and benefits of key management personnel, to reach SAR 4.7 million as at December 31, 2022G, as a result of hiring new CEO and Deputy CFO of the Company.

5.10 Statement of Cash Flows

The following table presents the statement of cash flows for the years 2020G, 2021G and 2022G.

Table 51: Statement of Cash Flows

(SAR' 000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)
Cash Flows from Operating Activities			
Net (loss) / income attributable to shareholders before Zakat	12,050	(106,410)	(55,327)
Adjustments for non-cash items			
Income attributable to insurance operations, net	874	-	-
Depreciation of property and equipment	5,031	3,542	2,682
Amortization of intangible assets	1,765	4,121	252
Finance cost on lease liabilities	1,293	1,333	2,128
Allowance for doubtful debts	238	7,016	5,639
Unrealized loss /gain on investments at FVTSL	(3,620)	(10,123)	1,172
Realized loss /gain on investments at FVTSL	-	1,170	-
Employee Benefits Obligations	2,106	1,710	1,699
Amortization of investments held to maturity	-	-	-
	24,191	(93,788)	(39,913)
Changes in operational assets and liabilities:			
Premiums and reinsurers' receivable	45,073	(20,792)	(36,309)
Reinsurers' share of unearned premiums	(1,412)	(2,285)	(16,323)
Reinsurers' share of outstanding claims	(12,165)	935	(9,001)
Reinsurers' share of claims incurred but not reported	491	(2,084)	373
Deferred policy acquisition costs	(11,987)	(6,687)	(14,532)
Prepaid Expenses and Other Assets	(23,466)	23,078	(12,111)
Accrued commission on statutory deposit	(340)	(219)	(1,026)
Policyholders claims payable	(421)	(2,101)	(4,014)

Accrued expenses and other liabilities	(669)	5,617	5,981
Reinsurers' balances payable	(3,382)	(3,445)	12,230
Unearned Premiums	(11,376)	10,528	197,208
Unearned reinsurance commission	332	618	(516)
Outstanding Claims	(11,199)	(4,895)	4,128
Claims incurred but not reported	(8,880)	2,177	(2,525)
Premium deficiency reserves	(10,224)	6,700	(2,866)
Other Technical Reserves	(2,721)	4,796	(702)
Accrued commission income payable to SAMA	340	219	1,026
	(27,815)	(81,628)	81,108
Zakat paid	-	(9,502)	-
Employee benefits paid	(1,345)	(3,216)	(3,267)
Net cash flows generated from / (used in) operating activities	(29,160)	(94,346)	77,841

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

(SAR' 000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)
Cash Flows from Investing Activities			
Purchases of investments	(81,931)	(8,838)	(90,036)
Proceeds from sale of investments	13,071	68,212	169,656
Placement of Term Deposits	(247,000)	(325,000)	(142,076)
Proceeds from term deposits	457,165	376,318	-
Purchases of held to maturity investments	-	(50,000)	-
Proceeds from held to maturity investments	21,996	-	4,983
Purchase of property and equipment	(137)	(499)	(3,729)
Statutory Deposit	-	-	-
Purchase of intangible assets	-	-	(855)
Purchase of right-of-use assets	-	-	-
Net cash flows (used in) / generated from investing activities	163,164	60,193	(62,057)

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

(SAR' 000)	Financial year 2020G (Audited)	Financial year 2021G (Audited)	Financial year 2022G (Audited)
Cash Flows from Financing Activities			
Payment of lease liabilities	(4,519)	(1,077)	(5,035)
Net cash flows (used in) / generated from financing activities	(4,519)	(1,077)	(5,035)
Net cash and cash equivalent	129,485	(35,230)	10,749
Cash and cash equivalents at beginning of year	29,761	159,246	124,016
Cash and cash equivalents at end of year	159,246	124,016	134,765

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Cash and cash equivalents decreased by 22.1% from SAR 159.2 million as of 31 December 2020G to SAR 124.0 million as of 31 December 2021G. This is mainly caused by a decrease in cash generated from investment activities by 63.1% from SAR 163.2 million in 2020G to SAR 60.2 million in 2021G as negative cash flows from operating activities continued in 2021G.

Cash and cash equivalents increased to SAR 134.8 million as of 31 December 2022G. This is mainly caused by net cash from

operating activities of SAR 81.1 million in the financial year 2022G, partially offset by net cash used in investment activities of SAR 62.1 million in the financial year 2022G.

Operating Activities

The net cash used in operating activities increased from SAR 29.2 million in 2020G to SAR 94.3 million in 2021G, mainly due to the Company incurring a net loss attributed to shareholders before Zakat of SAR 106.4 million.

The net cash from operating activities increased to SAR 81.1 million in the financial year 2022G, mainly due to an increase in unearned premiums of SAR 197.2 million in the financial year 2022G, partially offset by used cash flows attributable to premiums and reinsurers receivable of SAR 36.3 million and net loss incurred of SAR 55.3 million in the same year.

Investment Activities

In 2020G, the net cash generated from investment activities decreased by 63.1% from SAR 163.2 million to SAR 60.2 million in 2021G, mainly due to the sale of investments of SAR 68.2 million in 2021G.

The net cash generated from investment activities decreased to SAR 62.1 million in the year 2020G, mainly as a result of term deposits and sale of investments of SAR 90.0 million in 2022G. These were partially offset by proceeds from the sale of investments with a value of SAR 169.7 million in the same year.

Financing Activities

The net cash used in financing activities decreased from SAR 4.5 million in 2020G to SAR 1.1 million in 2021G, as a result of the decrease in the value of paid lease obligations, mainly caused by the closure of some branches and points of sale.

The net cash used in financing activities increased to SAR 5.0 million in 2022G, mainly due to the renewal of the lease for the Company's Head Office, branches and points of sale.

6. Using the Offering Proceeds

6.1 Net Offering Proceeds

It is expected that the total proceeds from the offering of the rights issue will amount to one hundred million (100,000,000) Saudi Riyals. It is also expected that about eleven million three hundred thousand (11,300,000) Saudi Riyals will be deducted from the total proceeds of the offering to cover the offering expenses and fees of the Financial Advisor, Legal Advisor, Lead Manager, Additional- Lead Manager, Underwriter, advertising and printing expenses and other expenses related to the subscription. Accordingly: The net proceeds of the offering will amount to about eighty-eight million seven hundred thousand (88,700,000) Saudi Riyals, which will be used to support the Company's future plans and enhance the solvency margin.

The Company will also, prior to the opening of the trading session, disclose to the public on Tadawul website when there is a difference of (5%) or more between the actual use of the proceeds of the Rights Issue Shares against what was disclosed in this Prospectus as soon as it becomes aware of that. This disclosure is in line with the requirements of Article (72) Paragraph (f) of the Rules on Offering Securities and Continuing Obligations, which states that "The issuer must, in the event of any discrepancy of (5%) or more between the actual use of the proceeds from a rights issue or a share issuance with the suspension of rights issue and the planned use of proceeds that was disclosed in the relevant prospectus, disclose such discrepancy to the public as it becomes aware of such discrepancy."

6.2 Using the Net Offering Proceeds

All insurance companies operating in the Kingdom conduct their activities in accordance with the Insurance Companies Control Law and its Implementing Regulations and subsequent amendments issued by Saudi Central Bank from time to time.

The net offering proceeds will be used in general to support the Company's future plans and enhance the solvency margin to comply with the requirements of solvency, as this will be done through the use of the offering proceeds as stated below, and shareholders will not receive any of the subscription proceeds.

The table below shows the suggested use of the Offering Proceeds:

Table 52: Suggested Use of Offering Proceeds

Statement	Amount (SAR)	% of total offering proceeds
Total Offering Proceeds	100,000,000	100.0%
Estimated offering expenses	11,300,000	11.3%
Net Offering Proceeds	88,700,000	88.7%
Financial Investments	88,700,000	88.7%

Source: The Company.

The Company will use Offering Proceeds as follows:

6.2.1 Use of net Offering Proceeds in financial investments:

The Company has an approved investment policy for investment management in accordance with the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank. The Company submits reports and recommendations to the Investment Committee, which in turn studies, analyzes and issues appropriate investment decisions.

The Company intends to allocate eighty-eight million seventy thousand (88,700,000) Saudi Riyals from the net offering proceeds to invest in:

1. Bank deposits of SAR 58,700,000.
2. Low risk bonds and sukuk of (30,000,000) Saudi Riyals.

According to the Company, the investment period in bank deposits will be three years, renewed quarterly. As for bonds and sukuk, the target investment period ranges from 5 to 10 years. All investments will be managed through local and GCC banks and financial companies. In addition, the Company intends to make investments once the capital increase process is finalized.

It is worth noting that the amounts will be distributed to investment channels in accordance with Article Sixty-one (61) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states the following:

1. The Company shall, when formulating its investment policy, take into consideration that the maturity of its invested assets is in concurrence with its liabilities according to the issued documents. The Company shall provide SAMA with an investment policy inclusive of assets distribution. If such investment policy was not approved by SAMA, the Company shall adhere to the investment standards in Table (1) of the Implementing Regulations, provided that investments outside the Kingdom shall not exceed (20%) of the total investment and in accordance with paragraph (2) of Article fifty-nine (59) which states that the Company shall invest (50%) of its total invested assets in Saudi Riyals. SAMA's written approval is required if the Company wishes to reduce this percentage.
2. The Company shall take into consideration the investment concentration risks. Concentration in an investment instrument shall not exceed 50% in one investment instrument mentioned in Table (1) of the Implementing Regulations

As well, Article sixty-two (62) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, which states that the Company shall not use financial instruments, such as derivatives and off-balance-sheet items, other than for efficient portfolio management and with SAMA's written approval. The following shall also be considered:

1. Such derivatives must be listed on a financial exchange, are capable of being liquidated, are based on underlying admissible assets and have a prescribed pricing basis.
2. The Company has assets that can be used to settle any resulting or potential obligations from investment in these derivatives.
3. The counter party must be reputable and in an acceptable financial condition.

It is worth noting that the Company has existing investments (please refer to "Investments 5.8.1.6" in Section (5) "Financial Information and Management Discussion and Analysis" of this Prospectus).

In line with the requirements of Article 72(F) of the Rules on Offering Securities and Continuing Obligations, the Company will disclose to the public when there is a difference of (5%) or more between the actual use of the proceeds of the Rights Issue Shares against what was disclosed in this Prospectus as soon as it becomes aware of that.

6.3 The impact of Capital increase on solvency margin

The Company intends to increase its capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals to support the growth of its business, by using the net Offering Proceeds in financial investments (within the normal activities of the Company), as the Insurance companies make the financial investments as per a specific mechanism set by Saudi Central Bank, please check the Subsection "Use of net Offering Proceeds in financial investments" of this Section), development of existing products and introduce new ones.

The Implementing Regulations of the Cooperative Insurance Companies Control Law require insurance companies to maintain a minimum amount of net assets that can be included in the solvency margin account. This requirement is translated upon the need to maintain a minimum full cover (100%) of the solvency margin (net assets included in the solvency account divided by the minimum solvency margin).

Saudi Central Bank requires insurance companies to evaluate their net assets for the purpose of calculating the net assets subject to inclusion in the financial solvency account according to the inclusion schedules and percentages specified by Saudi Central Bank, provided that the following is taken into account:

- Market value shall not be exceeded in the valuation process, and all assets linked to the Investment part of the Protection and Savings insurance policy shall be excluded.
- Maximum limit of 20% of the total assets value in anyone-asset category.

Article sixty-six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law stipulates that the Company, in respect to its general and health insurance business, shall maintain a margin of solvency equivalent to the highest of the following three amounts:

- The minimum capital requirement is one hundred million (SAR 100,000,000) for insurance companies, and two hundred million (SAR 200,000,000) for reinsurance companies or insurance companies that simultaneously engage in reinsurance business.
- Gross Written Premiums
- Claims

In addition, the Implementing Regulations of the Cooperative Insurance Companies Control Law require insurance companies to maintain a minimum amount of net assets that can be included in the solvency margin account. This requirement is translated upon the need to maintain a minimum full cover (100%) of the solvency margin (net assets included in the solvency account divided by the minimum solvency margin).

The following table shows details of the Company's solvency margin and cover as at December 31, 2020G, December 31, 2021G, and December 31, 2022G:

Table 53: Details of the Company's solvency margin and cover as at December 31, 2020G, December 31, 2021G, and December 31, 2022G

Statement	2020G	2021G	2022G
Minimum required capital	100,000	100,000	100,000
Premium Solvency Margin	70,924	80,514	136,906
Claims Solvency Margin	107,661	88,167	89,820
The net assets to be included in solvency	154,945	73,270	(8,254)
An increase (deficit) in the acceptable net assets compared to the minimum required solvency margin	47,283	(26,730)	(145,160)
Solvency margin cover (%)	144%	73%	(45%)

Source: The Company

The following are the expected contributions to the net proceeds of the Offering in maintaining the capital requirements for the years to follow, which were calculated based on certain requirements imposed by Saudi Central Bank on insurance companies.

Table 54: Details of the Company's solvency margin and cover for the years to come

Statement	2023G	2024G	2025G	2026G
Minimum required capital	100,000	100,000	100,000	100,000
Premium Solvency Margin	110,685	115,862	122,799	139,991
Claims Solvency Margin	-	-	-	-
The net assets to be included in solvency	142,231	174,792	205,724	233,995
An increase (deficit) in the acceptable net assets compared to the minimum required solvency margin	31,546	58,931	82,925	94,005
Solvency margin cover (%)	129%	151%	168%	167%

Source: The Company

7. Experts Statements

The advisors whose names appear in pages (H) and (I) have given their written consents to the publication of their names, logos and statements in the form included in the Prospectus and have not withdrawn any of these consents up to the date of this Prospectus. Other than what is mentioned in Subsection 2.1.8 "Risks related to Transactions of Related Parties" of Section 2 "Risk Factors" with respect to the Financial Advisor, Legal Advisor, Lead Manager and Underwriter, Alawwal Capital, none of the above and their employees or relatives have any equity or interest in the Company whatsoever.

There's no statement prepared by an expert included in this Prospectus.

8. Declarations

As at the date of this Prospectus, the Company's Board of Directors declare that:

- There has not been any interruption in the business of the Company, which may have or has had a significant effect on the financial position in the last 12 months.
- No commissions, discounts, brokerages or other non-cash compensation have been granted by the Issuer within the three (3) years immediately preceding the application for registration and offer of securities in connection with the issue or offer of any securities.
- Other than the provisions of Risk (2.1.2) "Risks Related to Accumulated Losses" of Section 2 "Risk Factors" of this Prospectus, there has been no material adverse change in the issuer's financial and business position during the three (3) years immediately preceding the date of submitting the application for registration and shares offering pursuant to this Prospectus, as well as the period covered by the chartered accountant's report until the approval of the Prospectus.
- Other than the provisions of the Subsection "Transactions with Related Authorities" of Section (5) "Financial Information and Management Discussion and Analysis", members of the Board of Directors or any of their relatives do not have any shares or interest in the issuer whatsoever.
- The Company did not maintain treasury shares, and the Company's Extraordinary General Assembly did not approve the purchase of the Company's shares.

9. Legal Information

9.1 Company's Name

The Company has been registered in the commercial registration of joint stock companies in the city of Jeddah under the commercial name "Saudi IAIC Cooperative Insurance Company." On 03/08/1433H (corresponding to 23/06/2012G), the Extraordinary General Assembly approved the amendment of the Company's name from "Saudi IAIC Cooperative Insurance Company" to "Salama Cooperative Insurance Company".

9.2 Company Establishment and Capital Development

- Salama Cooperative Insurance Company (the "Company" or "Salama") is a Saudi joint stock company incorporated under the Ministry of Investment's license No. (1/870) dated 13/09/1426H (corresponding to 15/10/2005G), the Council of Ministers Resolution No. (233) dated 16/09/1427H (corresponding to 09/10/2006G), and the Royal Decree No. (M/60) dated 18/09/1427H (corresponding to 11/10/2006G), and the Ministry of Commerce Resolution No. (112/K) dated 29/04/1428H (corresponding to 16/05/2007G). The Company operates under the Commercial Registration No. (4030169661) issued by the city of Jeddah and was registered in the register of the city of Jeddah on 06/05/1428H (corresponding to 23/05/2007G), and the Company's registered address in Jeddah: Madinah Road, Salama Tower, P. O. Box 7864 Jeddah 23525, Kingdom of Saudi Arabia.
- On 23/05/2007G, the Company's entire shares of ten million (10,000,000) ordinary shares of a nominal value of ten (10) Saudi Riyals per share were listed on the Saudi Stock Exchange (Tadawul) through public subscription. The founding shareholders have subscribed to six million (6,000,000) shares representing 60% of the Company's total shares and fully paid their value. The remaining four million (4,000,000) shares representing 40% of the total shares were offered for public subscription, in accordance with the laws and regulations of the Saudi Capital Market Authority, during the period from Saturday 27/02/1428H (corresponding to 17/03/2007G) to Monday 7/03/1428H (corresponding to 26/03/2007G) at a subscription price of ten (10) Saudi Riyals per share.
- On 29/08/1428H (corresponding to 11/09/2007G), the company obtained the license of the Saudi Central Bank No. (TMN/4/20079) to practice insurance activity in general insurance and health insurance in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations. This license was renewed on 17/05/1443H (corresponding to 21/12/2021G) for a period of three years starting from 27/08/1443H (corresponding to 30/03/2022G) and ending on 26/08/1446H (corresponding to 25/02/2025G).
- On 24/06/1435H (corresponding to 24/04/2014G), Salama received SAMA's decision to reject the Company's application to increase its capital by SAR 120,000,000 through Rights Issue due to failure to meet SAMA's requirements.
- On 14/08/1435H (corresponding to 12/06/2014G), Salama's Board of Directors recommended to the Extraordinary General Assembly to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred and fifty million (250,000,000) Saudi Riyals through Rights Issue of one hundred and fifty million (150,000,000) Saudi Riyals. The Company obtained SAMA's approval to increase its capital on 01/12/1435H (corresponding to 25/09/2014G).
- On 13/09/1436H (corresponding to 30/06/2015G), the Extraordinary General Assembly approved the increase of the Company's capital by one hundred and fifty million (150,000,000) Saudi Riyals, an increase of 150% through issuance of Rights. After the subscription, the Company's capital became two hundred and fifty million (250,000,000) Saudi Riyals divided into twenty-five million (25,000,000) ordinary shares with a nominal value of ten (10) Riyals per share.
- On 13/08/1443H (corresponding to 16/03/2022G), the Company's Board of Directors recommended to the Extraordinary General Assembly to reduce the Company's capital from two hundred and fifty million (250,000,000) Saudi Riyals to one hundred million (100,000,000) Saudi Riyals. The Company received on 21/10/1443H (corresponding to 22/05/2022G) letter No. 43089045 dated 21/10/1443H (corresponding to 22/05/2022G) from the Saudi Central Bank containing approval to reduce the Company's capital by

one hundred and fifty million (150,000,000) Saudi Riyals. Following the reduction, the Company's capital became one hundred million (100,000,000) Saudi Riyals.

- On 22/12/1443H (corresponding to 21/07/2022G), the Capital Market Authority (CMA) approved the Company's request to reduce its capital by one hundred and fifty thousand (150,000,000) Saudi Riyals. Following the reduction, the Company's capital became one hundred million (100,000,000) Saudi Riyals.
- On 18/01/1444H (corresponding to 16/08/2022G), the Extraordinary General Assembly approved the Board of Directors recommendation to reduce the Company's capital by one hundred and fifty million (150,000,000) Saudi Riyals so that the Company's capital becomes one hundred million (100,000,000) Saudi Riyals. This decrease aims to restructure the capital and amortize (94.48%) of the accumulated losses which amounted to (158,767,000) Saudi Riyals as at 31 December 2021. As well, the Company's Board of Directors recommended increasing its capital through Rights Issue shares of two hundred million (200,000,000) Saudi Riyals so that the new capital becomes three hundred million (300,000,000) Saudi Riyals.
- On 09/04/1444H (corresponding to 03/11/2022G), the Board of Directors decided to amend its recommendation by recommending an increase of the Company's capital through a Rights Issue of one hundred million (100,000,000) Saudi Riyals to become two hundred million (200,000,000) Saudi Riyals. The Company received SAMA letter No. (44036229) dated 26/04/1444H (corresponding to 20/11/2022G) approving its capital increase from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals through a Rights issue.
- On 07/05/2023G, the Company submitted a request to extend the non-objection to the capital increase in accordance with a letter to the Saudi Central Bank ("SAMA") No. (SM/81/2023). On 28/10/1444H (corresponding to 18/05/2023G), the Company obtained a letter from SAMA containing its approval to extend the no-objection to increasing the Company's capital through a rights issue, for a period of three months from the date of the letter.
- On 21/05/1444H (corresponding to 15/12/2022), the Extraordinary General Assembly approved the Company's directive to proceed with the capital increase procedures and obtain the approval of the competent authorities.
- On Sunday 21/04/1445H (corresponding to 05/11/2023G), the Extraordinary General Assembly approved the increase of the Company's capital by issuing priority rights shares. The offering will consist of ten million (10,000,000) new ordinary shares ("Rights Issue shares" or "new shares") at an offer price of ten (10) Saudi Riyals per share and a nominal value of ten (10) Saudi Riyals per share. This will increase the Company's capital following the subscription from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares, i.e., an increase of 100% in the Company's current capital.

9.3 Capital Amendment

- On 13/09/1436H (corresponding to 30/06/2015G), the Extraordinary General Assembly approved the increase of the Company's capital by one hundred and fifty million (150,000,000) Saudi Riyals, an increase of 150% through issuance of Rights. After the subscription, the Company's capital became two hundred and fifty million (250,000,000) Saudi Riyals divided into twenty-five million (25,000,000) ordinary shares with a nominal value of ten (10) Riyals per share.
- On 18/01/1444H (corresponding to 16/08/2022G), the Extraordinary General Assembly approved the Board of Directors recommendation to reduce the Company's capital by one hundred and fifty thousand (150,000,000) Saudi Riyals so that the Company's capital becomes one hundred million (100,000,000) Saudi Riyals. This decrease aims to restructure the capital and amortize (94.48%) of the accumulated losses which amounted to (158,767,000) Saudi Riyals as at 31 December 2021.
- On 21/05/1444H (corresponding to 15/12/2022), the Extraordinary General Assembly approved the Company's directive to proceed with the capital increase procedures and obtain the approval of the competent authorities.
- On Sunday 21/04/1445H (corresponding to 05/11/2023G), the Extraordinary General Assembly approved the increase of the Company's capital by issuing priority rights shares. The offering will consist of ten million (10,000,000) new ordinary shares ("Rights

Issue shares” or “new shares”) at an offer price of ten (10) Saudi Riyals per share and a nominal value of ten (10) Saudi Riyals per share. This will increase the Company's capital following the subscription from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares, i.e., an increase of 100% in the Company's current capital.

9.4 Company's Objectives

- In accordance with the commercial registration No. (4030169661) dated 06/05/1428H (corresponding to 23/05/2007G), the Company may carry out the following activities: General insurance and health insurance.
- In accordance with Article (3) of the Articles of Association, the Company may carry out the following activities:
 - Engage in cooperative insurance business in the general insurance and health insurance branch. The Company may undertake all the work necessary to achieve its objectives. The Company carries out its activities in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations, the regulations of the Saudi Central Bank, and the regulations and rules in force in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from the competent authorities, if any.

The Company has received final approval of the Saudi Central Bank to engage in its insurance activities. For more information, please refer to Subsection 9.10 "Government Approvals, Licenses, and Certifications" of this section).

9.5 Company's Term

Article (6) of the Company's Bylaws stipulates that the Company term shall be ninety-nine (99) Gregorian years starting from the date of its registration in the Commercial Register. The Company term may be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to term. The data of the commercial registration indicates that the Company term will expire on 22/05/1530H (corresponding to 26/05/2106G).

9.6 Board of Directors

9.6.1 Board Formation

In line with article fifteen (15) of the Company Bylaws, the Company shall be managed by a board of directors composed of seven (7) members elected by the Ordinary General Assembly for three (3) years. On 15/02/1444H (corresponding to 11/09/2022G), the Shareholders Ordinary General Assembly elected the members of the Board of Directors for a new term that starts on 11/09/2022G for three years term and will expire on 10/09/2025G. The Board of Directors for the said term was composed of the following members:

Table 55: Board Members

Board of Directors appointed on 15/02/1444H (corresponding to 11/09/2022G)*													
#	Name	Nationality	Type of Membership	Age	Position	Type of Membership	Date of Membership	Representation	Direct ownership		Indirect ownership		
									No. of shares	% of Direct Ownership	No. of shares	% of Indirect Ownership	
1	Mountasar Mohammed Foudah**	Saudi	Independent	48	Chairman of the Board	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
2	Adnan Jameel Khoja**	Saudi	Non- Executive	62	Deputy Chairman	Non- Executive	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
3	Bader Khalid Alanzi	Saudi	Executive	44	Member	Executive	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
4	Khaled Mohammed Salem Bajnaid	Saudi	Independent	53	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
5	Abdullah Adel Sultan	Saudi	Independent	37	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
6	Mohammed Taha Alsafi	Saudi	Independent	55	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	
7	Wael Abdulrahman Albassam	Saudi	Independent	47	Member	Independent	15/02/1444H (corresponding to 11/09/2022G)	Himself	-	-	-	-	

Source: The Company

*The Company's Ordinary General Assembly approved, in its meeting held on 15/02/1444H (corresponding to 11/09/2022G), to elect the members of the Board of Directors for the current term starting on 15/02/1444H (corresponding to 11/09/2022G) for a period of three years ending on 18/03/1447H (corresponding to 10/09/2025G).

**The Company's Board of Directors decided on 17/02/1444H (corresponding to 13/09/2022G) to appoint Mr. Mountasar Mohammed Foudah as Chairman of the Board of Directors, and to appoint Mr. Adnan Jameel Khoja, as Deputy Chairman of the Board of Directors. The Company obtained the Central Bank of Saudi Arabia's no-objection on 28/03/1444H (corresponding to 24/10/2022G).

The Company complies with the Companies Law and the Governance Regulations issued by CMA Board and the Insurance Companies Governance Regulations issued by SAMA with respect to the constitution of the Board of Directors, whereas the Company Articles of Association stipulates that the number of board members shall be seven members elected by the Ordinary General Assembly for a period not exceeding three years .

The Company Governance Regulations also shows that the Company complies with Article (16) of the Governance Regulations which obligates listed companies that the majority of board members shall be non-executive members and that the number of its independent members shall not be less than two or members comprise one-third of board members (whichever is more). Accordingly, the Company complies with Clause (54) of the Insurance Companies Governance Regulations. Currently, there are five independent members on the Board of Directors of Salama Cooperative Insurance Company out of seven members.

9.6.2 Chairman and Deputy Chairman

The Company is complied with the Articles of Association, the Governance Regulations issued by the Board of Directors of the Capital Market Authority and the Insurance Companies Governance Regulations issued by the Saudi Central Bank in terms of appointment in these positions. On 17/02/1444H (corresponding to 13/09/2022G), the Company Board of Directors decided to appoint Mr. Mountasar Mohammed Foudah as Chairman of the Board of Directors (independent) and Mr. Adnan Jameel Khoja as Deputy Chairman of the Board of Directors (non-executive). The Company obtained the no-objection of the Saudi Central Bank on 28/03/1444H (corresponding to 24/10/2022G).

Table 56: Positions of Board Members

Name	Position
Mountasar Mohammed Foudah	Chairman of the Board
Adnan Jameel Khoja	Deputy Chairman of the Board
Bader Khalid Alanzi	Board Member
Khalid Muhammad Bajunaid	Board Member
Wael Abdulrahman Albassam	Board Member
Abdullah Adel Sultan	Board Member
Mohammed Taha Alsafi	Board Member

Source: The Company

As per the Company's Bylaws, the Board of Directors, subject to the terms of reference of the General Assembly, shall have extended powers to manage the Company and achieve its objectives, except for acts or actions that fall within the mandates of the General Assembly. The Chairman of the Board of Directors shall represent the Company before the courts, arbitration tribunals and third parties. Within the limits of its powers, the Board may authorize a member or more or a third party to undertake a specific work or works, without prejudice to the related laws and regulations.

In addition, the Board of Directors may conclude loans of any term, sell or mortgage the Company's assets, sell or mortgage the Company's commercial premises, or discharge the Company's debtors from their obligations, unless the Articles of Association or the Ordinary General Assembly restrict the Board's powers in this regard.

9.6.3 Board Remunerations

The remuneration of the Board of Directors consists of the percentage set forth in the Company Bylaws. The report of the Board of Directors for the year 2022G, which was approved by the Ordinary General Assembly on 18/11/1444H (corresponding to 07/06/2023G), for the year 2021G, which was approved by the Ordinary General Assembly on 17/11/1443H (corresponding to 26/06/2022G), for the year 2020G, which was approved by the Extraordinary General Assembly on 13/11/1442H (corresponding to 13/06/2021G), and for the year 2019G, which was approved by the Ordinary General Assembly on 24/10/1441H (corresponding to 16/06/2020G), include a comprehensive statement of all the remunerations, allowances, expenses, and other remunerations received by Board members during the financial year. The reports also included a statement of the amounts received by board members in their capacity as employees or administrators, or the amounts received by them against technical, administrative, or advisory works. The report also included a statement of the number of board sessions attended by each member as of the date of the last meeting of the General Assembly.

Article (19) of the Company's Bylaws stipulates that the remuneration for board members shall be a certain amount, attendance allowance for meetings, in-kind benefits or a certain percentage of the net profits, and two or more benefits may be combined. If the remuneration is a certain percentage of the Company's profits, this percentage may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in application of the provisions of the Cooperative Insurance Companies Control and the Companies Law, and after distributing a profit to shareholders of no less than (5%) of the Company's paid-up capital, provided that the entitlement to this remuneration

is in proportion to the number of sessions attended by the member. In all cases, the total remuneration and financial or in-kind benefits received by a Board member shall not exceed five hundred thousand (500,000) Saudi Riyals annually.

The compensation and remuneration of the members of the Board of Directors amounted to: (1) for the year ended December 31, 2022G (SAR 943,805), (2) for the year ended December 31, 2021G (SAR 1,304,821), but the disbursement of this amount was not approved by the Ordinary General Assembly held on 27/11/1443H (corresponding to 26/06/2022G), (3) for the year ended December 31, 2020G (SAR 1,213,424), and (4) for the year ended 31 December 2019G (SAR 1,600,000).

9.6.4 Board Meetings

In accordance with article (21) of the Company Bylaws, the Board shall meet by invitation from its chairman, who shall call the Board to convene upon request by two members. The invitation shall be documented in the manner deemed fit by the Board. The Board meetings shall be held periodically and whenever needed, provided that the number of Board meetings shall not be less than four (4) meetings annually. One meeting at least shall be held every three months. In accordance with Article (27) of the Company Governance Regulations, the Board shall be called to meet no less than four (4) meetings annually with one meeting at least shall be held every three months.

The Board held seven (7) meetings during the year ended 31/12/2022G.

9.6.5 Secretary of the Board

The Company is not compliant with the Bylaws, the Corporate Governance Regulations issued by the CMA Board of Directors and the Insurance Companies Governance Regulations issued by the Saudi Central Bank in terms of the mandatory appointment in the position of Secretary of the Board of Directors. This position is still vacant for Board of Directors' new tenure that commenced on 11/09/2022G for three years, ending on 10/09/2025G. (Please refer to Section 2, "Risk Factors.")

9.6.6 Transactions between the Company and the members of the Board of Directors

In the course of its normal business, the Company deals with companies that are defined as related parties, mainly representing membership in the Board of Directors, executive positions held by the Company's shareholders in other companies, and transactions carried out with related parties.

Total transactions consisting of salaries, benefits, end of service benefits for employees and remunerations for those responsible for governance were as follows:

Table 57: Compensation of key management personnel

(SAR '000)	31 December 2020G (Audited)	December 31 2021G (Audited)	December 31 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Salaries and benefits	2,975	1,395	4,698	(53.1%)	236.8%
End of service benefits for employees	1,042	1,180	1,295	13.2%	9.7%
Remuneration for governance officers	27	66	443	144.4%	571.2%
Total	4,044	2,641	6,436	(34.7%)	143.7%

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

In addition, the Company entered into transactions with the related parties (please refer to Subsection (9.11.1) "Transactions and Balances of Related Parties" of Section (9) "Legal information").

Additionally, the Company appointed Al-Awwal Capital as a financial advisor, lead manager, and underwriter in relation to this issue. Also, Dr. Saleh Jameel Malaika, Chairman of Al-Awwal Capital, is a 0.057% shareholder in Salama. Moreover, (a) one of Mr. Saleh Jamil Malaika's

subsidiaries, Rasd Intl Marketing Services, is a 3.72% shareholder in Salama; and (b) Mr. Uday Adnan Mohamed Telmesani, son of the General Manager of Al-Awwal Capital, is a 0.00004% shareholder in the Company.

Article (27) (1) of the Companies Law stipulates that neither the Company's manager nor a member of its board of directors may have any direct or indirect interest in the business and contracts that are made for the Company's account except with a license from the partners, the General Assembly, or Shareholders or their representatives.

Article (71) (1) of the Companies Law stipulates that, subject to the provisions of Article (27) of the Companies Law, a member of the Board of Directors shall, immediately upon his knowledge of any interest he has, whether direct or indirect, in the business and contracts that are made for the account of the Company, notify the Board about such interest, and record this notification in the Board minutes of meeting when it is convened. Such member may not participate in voting on the decision issued in this regard by the Board and General Assembly meetings. The board shall notify the general assembly, when it convenes, of the transactions and contracts in which such board member has direct or indirect interest; the notice shall be accompanied with a special report prepared by the company auditor in accordance with auditing standards approved in the Kingdom.

Article (71) (2) stipulates that if a board member fails to disclose his interest referred to in Paragraph (1) of this Article, the Company or any interested party may claim before the competent judicial authority to invalidate the contract or oblige the member to pay any profit or benefit gained therefrom.

Article (71) (3) stipulates that the responsibility for the damages resulting from such business and contracts referred to in Paragraph (1) of this Article shall be borne by the member who has an interest in such business or contract and the Board members in case of failure or negligence in performing their obligations in violation of the provisions of this paragraph, or in case it is proven that such business and contracts are unfair or involve a conflict of interests and harm the shareholders.

In addition, Article (87) (1) of the Corporate Governance Regulations stipulates that the Board report shall include a presentation of its operations during the last financial year, and all factors affecting the Company's business. The Board report shall include the provisions of such Regulations that have been applied, the ones that have not been applied and the reasons for that.

With respect to the related party transactions relating to the financial year ending on 31/12/2022G, the ordinary general assembly of the Company approved the following transactions during its meeting held on 18/11/1444H (corresponding to 07/06/2023G):

1. Approving the contracts and transactions entered into between the Company and Al Mamoon Insurance Brokers, in which the board member Adnan Jamil Khoja (non-executive member) has a direct interest, relating to an insurance brokerage agreement. The agreement does not contain preferential rights and the total amount of the transaction for the year 2022 is Eight Hundred Eighty Four Thousand Saudi Riyals (SAR 884,000).
2. Approving the contracts and transactions entered into between the Company and Ittihad Insurance Brokers, in which the board member Abdallah Adel Sultan (independent member) has an indirect interest, relating to an insurance brokerage agreement. The agreement does not contain preferential rights and the total amount of the transaction for the year 2022 is Thirty Six Thousand Saudi Riyals (SAR 36,000).

The Board Report for the year 2022 includes information relating to the above-mentioned transactions which have been approved.

With respect to the related parties transactions that occurred during the financial year ending on 31/12/2021G, and while the Board Report for the year 2021 referenced the transactions and contracts that occurred during such year and clarified that it relates to payment received on behalf of Salamah IAIC – UAE and which amounts to Nine Hundred Seventy Thousand Saudi Riyals (SAR 970,000), however the board of directors did not notify the general assembly of the related party transactions that occurred during such year. Consequently, the general assembly did not approve the related party transaction with Salamah IAIC – UAE during the year 2021, due to the fact that it was not notified of such transaction.

As for the year 2020, no related party transaction have been entered into by the Company.

As such the violation of Articles Twenty-Seven (27) and Seventy One (71) of the Companies' Law with respect to the related party transactions that occurred during the year 2021 with Salamah IAIC – UAE may subject the Company to fines from the CMA and to the cancellation of the agreements with respect to the related party transactions.

(please refer to Section 2 "Risk Factors").

9.6.7 Compensations and Remunerations of Board Members

The Nominations and Remunerations Committee is responsible for proposing the compensations and remunerations of Board members and senior executives. The following table shows the value of salaries, remunerations and allowances received by Board members and Chief Executives, including the Chief Executive Officer and Chief Financial Officer:

Table 58: Compensations and Remunerations of Board Members and Chief Executives

(SAR '000)	31/12/2021G	31/12/2022G
Board Members	1,304	393
Chief Executives, including the Chief Executive Officer and Chief Financial Officer	2,575	5,993
Total	3,879	6,386

Source: The Company

9.7 Board Committees

The Board of Directors has five (5) sub-committees, as follows:

9.7.1 Executive Committee

The Executive Committee is composed of three (3) members. The members of the Executive Committee were appointed by the Board of Directors in its meeting held on 13/09/2022G for a term starting on 11/09/2022G and ending with the end of the current Board term on 10/09/2025G. The Company obtained a no-objection letter from the Saudi Central Bank on 28/03/1444H (corresponding to 24/10/2022G).

The table below indicates the members of the Executive Committee.

Table 59: Executive Committee Members

Member	Position
Mountasar Mohammed Foudah	Committee Chairman (Independent)
Bader Khalid Alanzi	Member (Executive)
Khaled Mohammed Salem Bajnaid	Member (Independent)

Source: The Company

Committee's Tasks:

1. Subject to any instructions set-forth by the Saudi Central Bank or by the Board of Directors, the Executive Committee shall exercise all powers determined by the Saudi Central Bank or the Board. The Executive Committee shall assist the Chief Executive Officer and the Managing Director.
2. The Committee shall exercise all its powers to carry out its duty towards the meetings of the Board of Directors. The Committee members shall have the right to access the Company's confidential information.
3. Draft, review, inform and manage the Company's strategy in relation to the interests of shareholders, customers, employees and other stakeholders.

4. The Committee discusses and takes decisions on urgent issues that require urgent decision.
5. Approve amendments to budget items and final appropriation of capital expenditure items in accordance with its powers as stipulated in the Terms of Reference.
6. Approve the Company's business policies and procedures.
7. Monitor the performance of the CEO and senior management and makes recommendations in this regard.
8. The Committee undertakes the following actions related to the Company's strategy:
 - a. Review the Company's strategic planning procedures and processes in collaboration with the CEO.
 - b. Ensure completion of the strategies that achieve the Company's objectives.
 - c. Review the CEO's recommendations on the allocation of the Company's resources aiming at aligning the Company's strategic plans with its long-term operational objectives.
 - d. Periodic review of the strategic plans and operational objectives of the Company and its subsidiaries (if any) to ensure their compatibility with the Company's objectives.
 - e. Monitor the implementation of the Board's policies and procedures.
9. The Committee develops recommendations to the Board of Directors regarding the Company's operational priorities and strategies.
10. The Company performs the following works related to its financial planning:
 - a. Develop and review annual and long-term financial objectives and strategies and make the necessary recommendations to the Board of Directors.
 - b. Review the Company's financial aspects, in cooperation with the Executive Management and the Audit Committee.
 - c. Develop and review dividend distribution policies and their implementation and make recommendations thereon to the Board of Directors.
 - d. Conduct periodic review of actual capital expenditures to match them with the budgets approved by the Board of Directors.
11. The Committee shall submit to the Board of Directors a periodic report at least once every six (6) months on its work.
12. Notify the Board of Directors in the event of the existence or emergence of any conflict of interest as a result of the decisions made by the Committee.
13. Prepare an annual review and evaluation of the activities of the Committee and its members.
14. The Board shall be provided with all the minutes of meetings related to the Committee.

The Executive Committee held six (6) meetings during 2021G and 2022G.

9.7.2 Investment Committee

The Investment Committee is composed of three (3) members. It was appointed by the Board of Directors in its meeting held on 13/09/2022G for a term starting on 11/09/2022G and ending with the end of the current Board term on 10/09/2025G. The Company obtained a no-objection letter from the Saudi Central Bank on 28/03/1444H (corresponding to 24/10/2022G).

The table below indicates the members of the Investment Committee.

Table 60: Members of the Investment Committee

Member	Position
Khaled Mohammed Salem Bajnaid	Committee Chairman (Independent)
Bader Khalid Alanzi	Member (Executive)
Abdullah Adel Sultan	Member (Independent)

Source: The Company

Committee's Tasks:

1. Subject to any instructions set-forth by the Saudi Central Bank or by the Board of Directors, the Investment Committee shall exercise all powers determined by the Board. The Investment Committee shall assist the Chief Executive Officer and the Managing Director on investment-related decisions.

2. The Committee exercises all its powers to carry out its duty towards its shareholders and the Company's strategy.
3. The Committee is responsible for preparing the Company's investment policy and must present this policy to the Saudi Central Bank and obtain its approval thereof.
4. Develop and draft the Company's investment policy and carry out an annual follow up on its implementation and approval by the Board of Directors. This policy should not be amended until after obtaining the Board's approval on any amendment thereof.
5. The Committee supervises the implementation of the Investment Policy and the operations of the Company's investment portfolios within the stable practical framework of strategy and risks.
6. The Committee reviews policies, objectives, and special investment plans, and makes recommendations thereon.
7. The Committee takes the necessary steps to inform the concerned employees, directly and indirectly, of investment activities and ensures that they understand them.
8. The Committee conducts the strategic allocation of assets to major investment categories.
9. The Committee reviews the performance of each asset category.
10. The Committee sets limits for the allocation of assets according to geographical areas, financial markets, relevant sectors, securities, and currencies.
11. The Committee defines and identifies illiquid assets and sets restrictions on investing in them.
12. The Committee continuously monitors the performance of the Company's investment portfolios and submits reports on a quarterly basis.
13. The Committee periodically follows up on and monitors investment risks.
14. The Committee's responsibilities include making investment-related decisions as per the delegation of authorities granted by the Board of Directors.
15. The Committee comprehensively reviews, on an annual basis, the adequacy of the general Investment Policy in light of the Company's activities, the general risk tolerance, the requirements for the return on long-term risks, and the solvency ratio.
16. The Committee reviews the due diligence reports prepared by external asset managers or any third party providing investment-related services.
17. The Committee conducts a comprehensive evaluation of investment and asset management service providers and external parties related to investment on an annual basis to ensure the stability of the conditions on the basis of which such entities are appointed and that there are no substantial changes that may lead the Company reconsidering its dealings with such entities.
18. The Committee recommends the appointment of investment or asset managers or a portfolio manager licensed by the Capital Market Authority or any other regulatory authority if the investments are outside the Kingdom.
19. The Committee manages the relationship between the Company and the officially appointed asset managers.
20. The Committee ensures that the Company's investments comply with the investment regulations issued by the Saudi Central Bank.
21. The Committee monitors the performance of the CEO and senior management in relation to the Company's investments and makes recommendations in this regard.
22. The Committee submits a quarterly periodic report on its work and on the performance of investment portfolios to the Board of Directors.
23. The Committee notifies the Board of Directors in the event of the existence or emergence of any conflict of interest as a result of the decisions made by the Committee.
24. The Committee prepares an annual review and evaluation of the activities of the Committee and its members.
25. The Board shall be provided with all the minutes of meetings related to the Committee.

The Investment Committee held four (4) meetings in 2022G.

9.7.3 Audit Committee

The Audit Committee is composed of three (3) members. The Audit Committee was appointed by the Ordinary General Assembly held on 08/02/2023G for a term ending with the end of the current Board term on 10/09/2025G..

The table below indicates the members of the Audit Committee.

Table 61: Members of the Investment Committee

Member	Position
Mohammed Taha Alsafi	Committee Chairman (Member from the Board)
Mater Saud Al-Anzi	Member (from outside the Board)
Ayed Matar Al-Quthami	Member (from outside the Board)

Source: The Company

Committee's mandate:

The Audit Committee shall perform its duties in several fields and subjects, namely:

1. General forecasts
2. External auditors
3. Internal audit unit
4. Compatibility function

The Audit Committee held thirteen (13) meetings in 2022G.

The Ordinary General Assembly, held on 26/06/2022G, approved amending the Audit Committee's work regulations.

9.7.4 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is composed of three (3) members. It was appointed by the Board of Directors in its meeting held on 13/09/2022G for a term starting on 11/09/2022G and ending with the end of the current Board term on 10/09/2025G. The Company obtained a no-objection letter from the Saudi Central Bank on 28/03/1444H (corresponding to 24/10/2022G).

The table below indicates the members of the Nomination and Remuneration Committee.

Table 62: Members of the Nomination and Remuneration Committee

Member	Position
Wael Abdulrahman Albassam	Committee Chairman (Independent member)
Abdullah Adel Sultan	Member (Independent member)
Adnan Jameel Khoja	Member (Non-executive member)

Source: The Company

Committee's mandate:

1. The duties and responsibilities of the Nomination and Remuneration Committee are as follows:
Proposing clear policies and criteria for membership in the Board of Directors and Senior Executive Management.
2. Recommending, to the Board of Directors, the nomination for membership of the Board of Directors and its committees in accordance with the legal requirements and approved policies and standards.
3. Developing job descriptions for executive members, non-executive members, independent members, and senior executives.
4. Conducting annual review of the required appropriate skills for membership of the Board of Directors and its committees; preparing a description of the capabilities and qualifications required for filling the positions of the Senior Executive Management and the membership of the Board of Directors and its committees; determining the time that the member allocates for the work of the Board or its committees; evaluating the structure and composition of the Board and its committees; determining the relevant weaknesses on a regular basis; and proposing necessary steps for addressing them.
5. Evaluating and monitoring the independence of the members of the Board of Directors and its committees, and ensuring the absence of conflict of interest, including checking, on an annual basis, the independence of the independent members.

6. Developing clear policies for the compensation and remuneration of members of the Board of Directors, its committees, and members of Senior Management, and submitting them to the Board of Directors for approval by the General Assembly, taking into account that such policy follows performance-related standards, disclosing and verifying their implementation.
7. Periodically reviewing the Remuneration Policy, and evaluating its effectiveness in achieving the desired objectives.
8. Clarifying the relationship between the remuneration granted and the applicable remuneration policy, and identifying any substantial deviation from this Policy.
9. Periodically supervising the evaluation of the performance of the Board members and committees.
10. Making recommendations regarding the appointment and dismissal of senior management members.
11. Establishing special procedures in the event that a position of a member of the Board of Directors or a senior executive becomes vacant.
12. Proposing succession policy and procedures to the CEO and senior members of the senior management and monitoring the implementation of their succession plans and procedures.
13. Reviewing compensation plans for senior management members.
14. Supervising the induction program and periodic training for the members of the Board of Directors.
15. Making recommendations to the Board on issues related to nominations and remuneration of Board members, its committees, and senior executives of the Company in accordance with the approved policy.

The Nomination and Remuneration Committee held four (4) meetings in 2022G.

9.7.5 Risk Committee

The Risk Committee is composed of three (3) members. It was appointed by the Board of Directors in its meeting held on 13/09/2022G for a term starting on 11/09/2022G and ending with the end of the current Board term on 10/09/2025G. The Company obtained a no-objection letter from the Saudi Central Bank on 28/03/1444H (corresponding to 24/10/2022G).

The table below indicates the members of the Risk Committee.

Table 63: Members of the Risk Committee

Member	Position
Adnan Jameel Khoja	Committee Chairman (Non-executive member from the Board)
Wael Abdulrahman Albassam	Member (Independent member)
Mountasar Mohammed Foudah	Member (Independent member)

Source: The Company

Committee's mandate:

The committee's tasks and responsibilities are as follows:

1. Determining the risks that the Company may face, and maintaining an acceptable level of risks related to the Company.
2. Supervising risk management systems and evaluating their effectiveness.
3. Verifying the feasibility of the Company's sustainability and the successful continuation of its activity, along with identifying the risks that threaten its continuation during the next twelve months.
4. Developing a comprehensive risk management strategy for the Company, supervising its implementation, and periodically reviewing and updating it, taking into account the relevant internal and external variables.
5. Reviewing risk management policies.
6. Reviewing and reassessing, on a regular basis, the Company's level of risk appetite and the extent of its risk exposure.
7. Submitting detailed reports to the Board of Directors about potential risks and making recommendations on how to manage them.
8. Providing advice to the Board of Directors regarding risk management.
9. Ensuring the availability of adequate resources and systems to manage risks.

10. Reviewing the organizational structure of the Risk Management Department and making recommendations in this regard before it is approved by the Board of Directors.
11. Verifying the independence of risk management personnel from activities that may expose the Company to risks.
12. Verifying that the risk management personnel understand the risks of the Company, and working to increase awareness of the risk culture.
13. Reviewing the issues raised by the Audit Committee, which may affect risk management in the Company.
14. The Committee submits its reports to the Board of Directors on the results of its work in accordance with the controls and mechanisms set forth in the Risk Management Charter. The meeting minutes of the Risk Management Committee shall be presented to the Board of Directors for information and knowledge.
15. When needed, the Committee has the right to seek external advisory services to perform its tasks, at the expense of the Company, after obtaining the approval of the Board of Directors.

The Risk Committee held three (3) meetings in 2022G.

9.8 Executive Management

Mr. Bader Khaled Al-Anzi has been the CEO since 01/12/2021G. The table below indicates the names and details of the executive management.

Table 64: Executive Management

#	Name	Nationality	Position	Age	Appointment date	Direct ownership		Indirect ownership	
						No. of shares	% of Direct Ownership	No. of shares	% of Indirect Ownership
1	Bader Khalid Alanzi	Saudi	CEO	44	01/12/2021G	-	-	-	-
2	Ammar Ahmed Ghurab	Saudi	Head of Operations	49	06/05/2016G	-	-	-	-
3	Mohammed Nasser Al-Wahbi	Saudi	Head of Customer Care	49	01/07/2017G	-	-	-	-
4	Afaf Hammad AIDhabiani	Saudi	Head of HR Department	46	06/09/2017G	-	-	-	-
5	Sarah Ali Al-Shehri	Saudi	Head of Sales Department	38	08/03/2020G	-	-	-	-
6	Ahmed Khaled Murdad	Saudi	Head of Legal Department	39	22/01/2020G	-	-	-	-
7	Abdulrahman Abdullah Al-Zahrani	Saudi	Head of Governance Department	41	01/09/2020G	-	-	-	-
8	Nahel Bakri	Saudi	Head of Internal Audit Department	35	07/02/2022G	-	-	-	-
9	Vacant	-	Acting Head of Risk Department	-	-	-	-	-	-
10	Numan Jameel Benteen	Saudi	IT Department Director	55	19/02/2023G	-	-	-	-
11	Vacant	-	Financial Department Director	-	-	-	-	-	-
12	Vacant	-	Compliance Department Director	-	-	-	-	-	-
13	Hani Ghazi Bahadi	Saudi	Sales Manager	47	01/05/2023G	-	-	-	-

Source: The Company

9.9 Corporate Governance

In accordance with the laws, regulations, and instructions issued by the Capital Market Authority (CMA), in particular the Corporate Governance Regulations issued by virtue of CMA's Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by the Royal decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G) and amended by CMA Board Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G) based on the Companies Law issued by the Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G), in addition to the Insurance Companies Governance Regulations issued by the Saudi Central Arabia; a governance guide was developed for the Company and approved and amended during the Company's Ordinary General Assembly meeting on 26/06/2020G.

9.10 Government approvals, licenses, and certifications

9.10.1 Table of approvals and licenses

The Company (including its branches) obtained several regulatory and operational licenses and certificates from the competent authorities. These licenses and certificates are renewed periodically, and expired ones are being renewed as per the usual procedures. The members of the Board of Directors acknowledge that the Company obtained all licenses and approvals necessary to carry out its business and continue to do so, and the expired ones are being renewed. They also acknowledge that they are not aware of anything that would prevent renewing expired licenses and approvals. The following tables indicate the current licenses and certificates obtained by the Company.

Table 65: Licenses and approvals obtained by the Company

Type of License	Purpose	License No.	Date of Issuance	Date of Expiry	Issuing Authority
Commercial register	Registering the Company in the Commercial Companies Registration (joint stock companies)	4030169661	06/05/1428H (corresponding to 23/05/2007G)	06/05/1447H (corresponding to 28/10/2025G)	Ministry of Commerce* - Commercial Register Office in Jeddah
Permit to practice insurance activity	Practicing the general insurance activity and health insurance	TMN/20079/4	29/08/1428H (corresponding to 11/09/2007G)	26/08/1446H (corresponding to 25/02/2025G)	Saudi Central Bank**
Chamber of Commerce Membership Certificate	Company comply with the commercial registration law which requires the Company to subscribe to the Chamber of Commerce	201000120714	30/06/2017G	28/10/2025G	Jeddah Chamber
Council of Health Insurance	A qualification license to practice cooperative health insurance activities	-	04/07/2021G	04/07/2024G	Council of Health Insurance
Certificate from the General Organization for Social Insurance (GOSI)	The Company comply with the laws of the General Organization for Social Insurance	53145565	13/03/2023G	20/09/1444H (corresponding to 11/04/2023G)*****	GOSI
Saudization certificate	The Company complies with the required Saudization percentage based on Nitaqat program	910887- 11823759	08/11/2022G	18/03/2023G*****	HRSD***
Value Added Tax (VAT) certificate	VAT registration	3001010586	03/12/1438H (corresponding to 25/08/2017G)	-	ZATCA****

Income and zakat certificate	To state that the Company has submitted its declaration for the period ended 31/12/2021G	1110095148	07/10/1443H (corresponding to 08/05/2022G)	10/10/1444H (corresponding to 30/04/2023G) *****	ZATCA****
	Head office activities	40062060155	17/06/1443H (corresponding to 20/01/2022G)	17/06/1447H (corresponding to 08/12/2025G)	Head office activities
	Head office activities	40072077682	28/06/1443H (corresponding to 31/01/2022G)	28/06/1444H (corresponding to 21/01/2023G)*****	Head office activities
Commercial activity practice license	General insurance activities	39111394635	-	26/02/1445H (corresponding to 11/09/2023G)	General insurance activities
	Health insurance activities	39111448869	-	06/11/1442H (corresponding to 16/06/2021G)	Health insurance activities
	General insurance activities	39093664751	-	26/12/1444H (corresponding to 04/07/2023G)	General insurance activities

Source: The Company

* The "Ministry of Commerce and Investment" changed into "Ministry of Commerce".

** The "Saudi Arabian Monetary Agency" changed into "Saudi Central Bank".

*** The "Ministry of Labor and Social Development" changed into "Ministry of Human Resources and Social Development".

**** The "General Authority for Zakat and Income" changed into "Zakat, Tax, and Customs Authority".

***** Commercial activity licenses are expired and the Company is renewing them.

***** GOSI certificate is expired and is renewed on a monthly basis and the company is going to renew it.

*****The Company is in the process of issuing the new Zakat and Income Certificate.

Table 66: Licenses and approvals obtained by the Company's branches

Type of License	Purpose	License No.	Date of Issuance	Date of Expiry	Address
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	2051059594	15/02/1436H (corresponding to 07/12/2014G)	14/02/1445H (corresponding to 30/08/2023G)	Al Khobar
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	1010600111	22/07/1438H (corresponding to 19/04/2017G)	22/07/1445H (corresponding to 03/02/2024G)	Riyadh
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	5850063211	01/07/1435H (corresponding to 30/04/2014G)	01/07/1445H (corresponding to 13/01/2024G)	Abha
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	5800019152	26/02/1436H (corresponding to 18/12/2014G)	26/02/1445H (corresponding to 11/09/2023G)	Al Bahah
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	4032045121	27/08/1435H (corresponding to 25/06/2014G)	27/08/1444H (corresponding to 19/03/2023G)*	Taif
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	4650076547	30/02/1436H (corresponding to 22/12/2014G)	29/02/1445H (corresponding to 14/09/2023G)	Madinah
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	5900031114	18/02/1436H (corresponding to 10/12/2014G)	18/02/1445H (corresponding to 03/09/2023G)	Jizan
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	5907031324	03/03/1436H (corresponding to 25/12/2014G)	03/03/1444H (corresponding to 29/09/2022G)*	Samtah
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	5906031731	21/04/1436H (10/02/2015G)	21/04/1445H (corresponding to 05/11/2023G)	Sabya
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	5950033107	22/07/1438H (corresponding to 19/04/2017G)	22/07/1444H (corresponding to 13/02/2023G)*	Najran
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	4031086374	03/09/1435H (corresponding to 30/06/2014G)	03/09/1444H (corresponding to 25/03/2023G)*	Makkah
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	3550035797	22/02/1436H (corresponding to 14/12/2014G)	21/02/1446H (corresponding to 25/08/2024G)	Tabuk
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	2050112433	22/07/1438H (corresponding to 18/04/2017G)	22/07/1445H (corresponding to 03/02/2024G)	Dammam
Commercial registration	Register the Company in the commercial companies register (company subsidiary)	1131057681	22/07/1438H (corresponding to 19/04/2017G)	22/07/1445H (corresponding to 03/02/2024G)	Buraydah
Commercial activity license	MOMRAH license	40021714770		14/04/1443H (corresponding to 19/11/2021G)	Al Khobar
Commercial activity license	MOMRAH license	43109803926	-	10/01/1445H (corresponding to 28/07/2023G)	Riyadh

Commercial activity license	MOMRAH license	39111145315	-	23/04/1445H (corresponding to 07/11/2023G)	Riyadh
Commercial activity license	MOMRAH license	40092184036	-	29/04/1445H (corresponding to 13/11/2023G)	Riyadh
Commercial activity license	MOMRAH license	3909649787	-	17/08/1445H (corresponding to 27/02/2024G)	Aseer
Commercial activity license	MOMRAH license	41103584368	-	02/11/1442H (corresponding to 12/06/2021G)**	Al Bahah
Commercial activity license	MOMRAH license	390995665	-	16/03/1444H (corresponding to 12/10/2022G)	Jizan
Commercial activity license	MOMRAH license	40041968711	-	08/03/1446H (corresponding to 11/09/2024G)	Samtah (Jazan)
Commercial activity license	MOMRAH license	390995666	-	05/02/1446H (corresponding to 09/08/2024G)	Sabya (Jazan)
Commercial activity license	MOMRAH license	3909102206	-	10/03/1443H (corresponding to 16/10/2021G)	Najran
Commercial activity license	MOMRAH license	3909332656	-	04/05/1445H (corresponding to 18/11/2023G)	Tabuk
Commercial activity license	MOMRAH license	3909646928	-	05/05/1445H (corresponding to 19/11/2023G)	Dammam
Commercial activity license	MOMRAH license	3909364751	-	26/12/1444H (corresponding to 14/07/2023G)	Al Qassim
Commercial activity license	MOMRAH license	40031782009	-	07/04/1445H (corresponding to 22/10/2023G)	Madinah

Source: The Company

* Commercial registrations are expired and the Company is renewing them.

** Commercial activity licenses are expired and the Company is renewing them.

9.10.2 Summary of approvals related to insurance products provided by the Company in line with the applicable laws

The Company obtained SAMA's final approval for all its products except for one product which is under approval to file and use, according to the following summary of approvals related to the insurance products provided by the Company:

Table 67: Insurance products provided by the Company

#	Product	Product Description	Type of Approval	Date of Approval
1	Land transport insurance (All risks)	Insurance against the risks related to transit land transport (truck/rail carriage).	Final	16/12/1431H (corresponding to 22/10/2010G)
2	Land transport insurance (Basic risks)	Insurance against the risks related to transit land transport (truck/rail carriage).	Final	16/12/1431H (corresponding to 22/10/2010G)
3	Carrier liability insurance (All risks)	Insurance against the losses resulting from the carrier's liability.	Final	16/12/1431H (corresponding to 22/10/2010G)
4	Carrier liability insurance (Specified risks)	Insurance against the losses resulting from the carrier's liability.	Final	16/12/1431H (corresponding to 22/10/2010G)
5	Marine insurance	Marine freight insurance.	Final	26/08/1437H (corresponding to 23/05/2017G)
6	Ship structures insurance	Marine hull and machinery insurance	Final	16/12/1431H (corresponding to 22/10/2010G)
7	Professional liability insurance	This policy covers all types of professions against the liabilities that may be required by law due to mistakes, negligence, omissions, or oversight during the exercise of work.	Final	26/07/1438H (corresponding to 23/04/2017G)
8	Commercial motor insurance	Compensation for damage to vehicles that may have been caused by incidental factors.	Final	26/05/1438H (corresponding to 23/02/2017G)
9	Directors and executives liability insurance	This policy covers the protection for directors and executives against liability resulting from their actions while carrying out their corporate and organizational duties.	Final	26/07/1438H (corresponding to 23/04/2017G)
10	Third-party liability motor insurance	Compensation for damage to vehicles that may have been caused by third parties.	Final	17/01/2008G
11	Comprehensive motor insurance	Compensation for damage to vehicles.	Final	15/01/2023G
12	Workers' compensation and employer liability insurance	This policy covers the legal liability under the Saudi Labor Law to pay compensation and the plaintiff's expenses related to injuries to any employee arising from and while carrying out his work.	Final	02/01/2008G
13	Third-party liability insurance for government-owned vehicles	Compensation for damage to government-owned vehicles.	Final	27/11/1439H (corresponding to 09/08/2018G)
14	Commercial liability insurance	Compensation for all losses resulting from events insured under the policy.	"File and use approval"	26/05/1438H (corresponding to 23/02/2017G)

15	Travel insurance	This policy covers its holders against specific risks such as death and injury while traveling abroad.	Final	07/04/1438H (corresponding to 05/01/2017G)
16	Contractors' risks insurance	Compensation for losses resulting from several causes.	Final	02/01/2008G
17	Installation risk insurance	This policy covers risks related to storage, assembly, or installation, as well as the period of testing and operating machines at the factory. It also offers comprehensive coverage against all risks unless specifically excluded.	Final	02/01/2008G
18	Electronics insurance	This policy covers sudden and unexpected material damage caused by electronics, as well as external information means, increased costs, and labor expenses.	Final	02/01/2008G
19	Equipment breakdown insurance	This policy covers sudden material losses or damages to equipment and factories. This can be extended to include loss of profits due to equipment breakdown.	Final	02/01/2008G
20	Contractors' plant and machinery insurance	Compensation for all losses to contractors' machinery and plants.	Final	02/01/2008G
21	General liability insurance	This policy covers its holder's legal liability to pay compensation to third parties for causing any accidental physical injury to them or loss or damage to their property, during the performance of the policyholder's work, profession, or activities.	Final	30/12/2007G
22	Fidelity insurance	This policy covers losses resulting from the dishonesty of employees.	Final	30/12/2007G
23	Fire insurance	This policy covers losses and damages caused by fires and other specified risks to insured properties.	Final	30/12/2007G
24	Property all risks insurance	This policy provides comprehensive and complete coverage for industrial units, commercial property, and the like, against all risks (including incidental damages) except those specifically excluded under the policy.	Final	30/12/2007G
25	Cash insurance	This policy covers money losses resulting from detention or robbery during their transfer, when located inside the insured property, or when located in safes.	Final	30/12/2007G
26	Home insurance	This policy covers houses against a wide range of risks such as fire.	Final	20/10/1439H (corresponding to 04/07/2018G)
27	Individual personal accident insurance	This policy covers the insured policyholder against death and injuries and provides disability compensation up to a predetermined maximum amount.	Final	07/04/1438H (corresponding to 05/01/2017G)
28	Group personal accident insurance	This policy covers the insured policyholders against death and injuries and provides disability compensation up to a predetermined maximum amount.	Final	07/04/1438H (corresponding to 05/01/2017G)
29	Machinery breakdown and loss of profit insurance	This policy covers the loss of profit resulting from machinery breakdown.	Final	22/02/1433H (corresponding to 16/01/2012G)
30	Medical malpractice insurance	This policy covers medical practitioners against the liabilities that may be required by law due to mistakes, negligence, omissions, or oversight during the exercise of work.	Final	24/09/1437H (corresponding to 29/06/2016G)

Source: The Company.

* File and use approval for the commercial liability insurance expired on 30/06/2017G.

9.10.3 Continuing obligations imposed by government entities on the Company in its capacity as a "license holder"

The below regulatory authorities require the Company to comply with some essential requirements as follows:

- Continuing obligations as per SAMA's requirements

Article 76 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that SAMA shall withdraw the Company's license in the following cases:

- No business activities for a period of six months from the issuance date of the license.
- Non-compliance with the Cooperative Insurance Companies Control Law and its Implementing Regulations.
- Providing SAMA with false information in its licensing application.
- Conducting its business and affairs in a manner that it is hazardous to its policyholders, stockholders, or the public.
- Insolvency, or its assets are not sufficient for carrying on its business.
- The business is fraudulently conducted by the Company or the professional.
- The paid-up capital falls below the prescribed minimum limit or failure to fulfill the solvency requirements stated in the Implementing Regulations of the Cooperative Insurance Companies Control Law.
- The business or volume of activities falls to a limit that the Central Saudi Bank finds unviable to operate under.
- Refusal or delay of payments due to beneficiaries without just cause.
- Refusal to be examined or to produce its accounts, records, or files for examination by SAMA.
- Failure to pay a final judgment against it related to its insurance operation.

Regarding paragraph (B) in the above terms, and as per Article 14 of the Cooperative Insurance Companies Control Law and Article 58 of Its implementing Regulations, SAMA requires insurance and reinsurance companies subject to the Law to make a statutory deposit in a local bank to be under SAMA's control. The statutory deposit shall be ten percent (10%) of the paid-up capital. SAMA may increase this percentage to a maximum of fifteen percent (15%). The Company shall place the statutory deposit amount, within three (3) months from the date of issuing the license, in a bank designated by SAMA. SAMA shall invest the statutory deposit and shall be entitled to its earnings.

It should be noted that the Company committed some procedural violations during its normal business. Below are the details of the violations revealed by the inspection visits conducted by SAMA:

- Risks relating to Cyber Security violations amounting in total to Five Hundred Thousand Saudi Riyals (SAR 500,000) as mentioned in the Company's Annual Report:
 - On 16/03/1444H (corresponding to 12/10/2022G), SAMA recorded a violation to its instructions on cyber security risks, which resulted in a SAR 500,000 fine on the Company.
- Risks relating to violation of the supervisory and control instructions of SAMA amounting in total to Three Hundred Sixty Five Thousand Saudi Riyals (SAR 365,000) as mentioned in the Company's Annual Report, as following:
 - On 05/01/1444H (corresponding to 03/08/2022G), SAMA recorded a violation to SAMA's supervisory and control instructions, which resulted in a fine of SAR 200,000 on the Company.
 - On 10/10/1443H (corresponding to 11/05/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 80,000 fine on the Company.
 - On 29/11/1443H (corresponding to 28/06/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in SAR 20,000 fine on the Company.

- On 30/07/1443H (corresponding to 03/03/2022G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 60,000 fine on the Company.
- On 23/07/1441H (corresponding to 18/03/2020G), SAMA recorded a violation to its supervisory and control instructions, which resulted in a SAR 5,000 fine on the Company. Notwithstanding that the fine was issued in 2020G, the Company paid the fine during the same year, but it was recorded in the Company's accounts during the year 2022G and appeared in the Board Report for the year 2022G. The delay in recording the fine was due to the Covid-19 virus.

As such the total amount of the fines relating to the violation of SAMA's supervisory and control instructions is Three Hundred Sixty Five Thousand Saudi Riyals (SAR 365,000) out of which Three Hundred Sixty Thousand Saudi Riyals (SAR 360,000) with respect to the year 2022 and an amount of Five Thousand Saudi Riyals (SAR 5,000) with respect to the fine issued on 23/07/1441H (corresponding to 18/03/2020G).

In addition to the abovementioned fines of the Central Bank, a fine was recorded by the Council of Health Insurance on 19/12/1444H (corresponding to 15/09/2022G) amounting of (252,700) Saudi riyals.

Also, the following violations have been recorded by the General Organization for Social Insurance:

- Fine for invalid employee dismissal: 1,000 Saudi Riyals. The fine was issued on 18/05/1443H (corresponding to 22/12/2021G) which has been paid by the Company on 20/06/1443H (corresponding to 23/01/2022G) and recorded in the Company's accounts as mentioned in the Board Report for the year 2022.
- Fine for late dues payment for March 2022G: 30,000 Saudi Riyals.
- Fine for late dues payment for May 2022G: 30,000 Saudi Riyals.
- Fine for late dues payment for July 2022G: 10,000 Saudi Riyals.

On 27/03/1443H (corresponding to 02/11/2021G), Jeddah Municipality issued a municipal fine amounting to seven hundred (700) Saudi Riyals. Although the fine was issued in 2021, however it was paid by the Company during the year 2022 and recorded in the Company's 2022 accounts as mentioned in the Board Report for the year 2022.

According to Clause (1) of Article Sixty-Six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the company that practices general and health insurance must maintain the required solvency margin by adopting the higher one for any of the following three methods:

1. Minimum capital

2. Total written premiums

3. Claims

Clause (2) of Article Sixty-Six of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA provides for the mechanics of calculation of the effective solvency rate of insurance companies.

As per Articles Sixty-Six of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA the required solvency rate calculated on the basis of the 2022 installments is 136.91 million Saudi Riyals.

The Company is not fully in compliance with the share capital requirements imposed during the year 2022 and has a deficiency with respect to the solvency rate amounting to 145.16 million Saudi Riyals (2021: 26.48 million Saudi Riyals).

As per paragraph (A) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (75%) to (100%) of the required solvency margin, then the Company shall work to amend this percentage to become at least (100%) during the next quarter.

As per paragraph (B) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (50%) to (75%) of the required solvency margin, and in the event the company does not comply with the requirement of paragraph (A) mentioned above during two (2) consecutive quarters, then the Company shall submit to SAMA a corrective plan clarifying the steps to be taken by the Company to improve its solvency margin and the required timeline in this respect.

As per paragraph (C) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (25%) to (50%) of the required solvency margin, and in the event the company does not comply with the requirement of paragraph (B) mentioned above during two (2) consecutive quarters, then SAMA can oblige the company to take any or all of the following procedures:

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

As per paragraph (D) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes below (25%) or if the company fails to correct its situation, SAMA may appoint and advisor to provide advisory services to the company or can request the withdrawal of the company's license.

As at December 31, 2020G, the solvency margin cover amounted to 144%, and as at December 31, 2021G, the solvency margin cover reached 73%, and as at December 31, 2022G, the solvency margin cover amounted to (45.2%). Accordingly, the Company is not in compliance as at 31/12/2022G with the solvency rate required as per SAMA's regulations and is not fully in compliance with the share capital requirements imposed during the year 2022 and has a deficiency with respect to the solvency rate amounting to 145.16 million Saudi Riyals (2021: 26,48 million Saudi Riyals).

As per the provisions of Article Sixty-Eight of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, the Company's Board of Directors recommended in its meeting held on 09/04/1444H (corresponding to 03/11/2022G) to increase the Company's capital through a Rights Issue at a value of one hundred million (100,000,000) Saudi Riyals, after obtaining all necessary regulatory approvals and the Extraordinary General Assembly approval. The Company obtained the no objection of the Saudi Central Bank ("SAMA") to increase its capital in accordance with the Letter No. (44036229), dated 26/04/1444H (corresponding to 20/11/2022G). On 17/10/1444H (corresponding to 07/05/2023G), the Company submitted a request to extend the non-objection to the capital increase in accordance with a letter to the Saudi Central Bank ("SAMA") No. (SM/81/2023). On 28/10/1444H (corresponding to 18/05/2023G), the Company obtained a letter from SAMA containing its approval to extend the no-objection to increasing the Company's capital through a rights issue.

The Company aims to increase its capital by offering Rights Issue to achieve and maintain the solvency level required by the Saudi Central Bank ("SAMA") (Please refer to Subsection (6.2) "Using the Net Offering Proceeds" of Section (6) "Using the Offering Proceeds").

Additionally, and as per the Company's reply dated 18/05/2022G to SAMA's letter number (43082110) dated 19/09/1443H (corresponding to 20/04/2022G) relating to the solvency rate requirements, pursuant to which SAMA considered that the effective solvency rate of the Company has

decreased as compared to the solvency rate required as per Article Sixty-Six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, the Company's corrective plan included in addition to the increase of its capital, the following:

1. Restructuring of the investments.
2. Review of the credit policy of the Company.
3. Recover the insurance policies dues.
4. Review the sale and subscription strategy.

In the event of the Company's failure to correct its financial situation and its failure to meet the required solvency requirements, SAMA has the right, as per paragraph (D) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, to oblige it to appoint a consultant (to provide advice as needed) or to withdraw the Company's license and prevent it from selling its insurance products in the event that it does not comply with the correction of its financial position within a period determined by SAMA. This will have a negative and substantial impact on the Company's business, results of operations, financial position and future prospects.

- Continuing obligations as per the requirements of the Ministry of Commerce:
 - The Company complies with the Law of Commercial Register regarding registration at the relevant department in Jeddah, where the Company's headquarters is located. The Company is registered under certificate No. 4030169661, dated 06/05/1428H (corresponding to 23/05/2007G), and expiring on 06/05/1447H (corresponding to 28/10/2025G).
 - The Company also complies with the Companies Law regarding the approval of the Company's by-laws in line with the amendments made to the Companies Law, after obtaining prior approval from the Ministry of Commerce on the draft by-laws. On 16/08/2022G, the extraordinary general assembly approved updating the by-laws, and their amended final version was approved by the Ministry of Commerce (Corporate Governance Department) on 07/09/2022G. The Company also complied with CMA and Tadawul requirements regarding uploading a copy of its by-laws to its page on Tadawul website.
 - On 06/06/1427H (corresponding to 02/07/2006G), the Company registered its own trademark under the name "Saudi IAIC Cooperative Insurance Company". However, on 03/08/1433H (corresponding to 23/06/2012G), the Extraordinary General Assembly of the Company's shareholders approved amending its name to "Salama Cooperative Insurance Company". On 02/08/1433H (corresponding to 01/07/2012G), the Company submitted a request to the Ministry of Commerce to amend its trademark registration certificate, but the relevant legal procedures have not been completely fulfilled. On 28/04/1436H (corresponding to 17/02/2015G), the Company submitted a new application to amend the trade name in the certificate. To date, no trademark registration certificate has been issued for Salama Cooperative Insurance Company. The Company is following up this issue with the Saudi Authority for Intellectual Property.
 - The Company also complies with the Law of Commercial Register regarding obtaining a membership certificate from the Chamber of Commerce and Industry, with certificate No. 201000120714 dated 30/06/2017G, and expiring on 18/10/2025G.
 - As at the date of this Prospectus, the Company has not obtained permits from Civil Defense for its branches.
 - As at the date of this prospectus, the following municipal licenses are expired:
 - License No. 40072077682 expired on 28/06/1444H (corresponding to 21/01/2023G)
 - License No. 3911144886 expired on 06/11/1442H (corresponding to 16/06/2021G)
 - License No. 40021714770 expired on 14/04/1443H (corresponding to 19/11/2021G)
 - License No. 41103584368 expired on 02/11/1442H (corresponding to 12/06/2021G)
 - License No. 3909102206 expired on 10/03/1443H (corresponding to 16/10/2021G)
 - License No.390995665 expired on 16/03/1444H (corresponding to 12/10/2022G)

- As at the date of this prospectus, Makkah and Taif branches did not obtain municipal licenses.
- As at the date of this prospectus, the following commercial registrations are expired:
 - Commercial Registration No. 5907031324 expired on 03/03/1444H (corresponding to 29/09/2022G)
 - Commercial Registration No. 590033107 expired on 22/07/1444H (corresponding to 13/02/2023G)
 - Commercial Registration No. 4032045121 expired on 27/08/1444H (corresponding to 19/03/2023G)
 - Commercial Registration No. 4031086374 expired on 03/09/1444H (corresponding to 25/03/2023G)

The absence of the aforementioned permits or their renewal is considered a violation of the Companies Law, which will result in a fine not exceeding five hundred thousand riyals, and the fine will be doubled if it is repeated within three years from the date of the ruling imposing the fine.

- Continuing obligations as per CMA's requirements

Except as disclosed in Sub-paragraph 2.1 ("Risks related to the Company's activity and operations") of Paragraph 2 ("Risk Factors"), CMA requires listed companies to comply by its rules for issuing securities, its continuing obligations, its special instructions, and its listing rules.

In particular, listed companies are required to periodically disclose significant and financial developments and the Board of Directors report. Insurance companies also undertake to announce their financial results as per CMA-approved templates, which must include clear data on the surplus (deficit) of insurance operations minus the returns of policyholders' investments, total written insurance premiums, net claims incurred, and net profits (losses) of policyholders' investments, and net profits (losses) of shareholders' investments, along with a comparison of 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 financial statements that are audited and approved by the Company's external auditor, who was appointed by the Assembly and approved by the Board. Announcements must be made using the templates given in the Instructions of Companies' Announcement of their Financial Results. Furthermore, the Company must submit a statement of all the reasons and factors behind the change in the financial results of the current financial year along with the comparison period, and such reasons must cover all items of the financial results announcement.

It should be noted that for the financial adequacy of joint stock companies, according to Clause (1) of Article Sixty-Six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the company that practices general and health insurance must maintain the required solvency margin by adopting the higher one for any of the following three methods:

1. Minimum capital
2. Total written premiums
3. Claims

Clause (2) of Article Sixty-Six of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA provides for the mechanics of calculation of the effective solvency rate of insurance companies.

As per Articles Sixty-Six of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA the required solvency rate calculated on the basis of the 2022 installments is 136.91 million Saudi Riyals.

The Company is not fully in compliance with the share capital requirements imposed during the year 2022 and has a deficiency with respect to the solvency rate amounting to 145.16 million Saudi Riyals (2021: 26.48 million Saudi Riyals).

As per paragraph (A) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (75%) to (100%) of the required solvency margin, then the Company shall work to amend this percentage to become at least (100%) during the next quarter.

As per paragraph (B) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (50%) to (75%) of the required solvency margin, and in the event the company does not comply with the requirement of paragraph (A) mentioned above during two (2) consecutive quarters, then the Company shall submit to SAMA a corrective plan clarifying the steps to be taken by the Company to improve its solvency margin and the required timeline in this respect.

As per paragraph (C) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes between (25%) to (50%) of the required solvency margin, and in the event the company does not comply with the requirement of paragraph (B) mentioned above during two (2) consecutive quarters, then SAMA can oblige the company to take any or all of the following procedures:

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

As per paragraph (D) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, if the actual solvency margin becomes below (25%) or if the company fails to correct its situation, SAMA may appoint and advisor to provide advisory services to the company or can request the withdrawal of the company's license.

As at December 31, 2020G, the solvency margin cover amounted to 144%, and as at December 31, 2021G, the solvency margin cover reached 73%, and as at December 31, 2022G, the solvency margin cover amounted to (45.2%). Accordingly, the Company is not in compliance as at 31/12/2022G with the solvency rate required as per SAMA's regulations and is not fully in compliance with the share capital requirements imposed during the year 2022 and has a deficiency with respect to the solvency rate amounting to 145.16 million Saudi Riyals (2021: 26.48 million Saudi Riyals).

As per the provisions of Article Sixty-Eight of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, the Company's Board of Directors recommended in its meeting held on 09/04/1444H (corresponding to 03/11/2022G) to increase the Company's capital through a Rights Issue at a value of one hundred million (100,000,000) Saudi Riyals, after obtaining all necessary regulatory approvals and the Extraordinary General Assembly approval. The Company obtained the no objection of the Saudi Central Bank ("SAMA") to increase its capital in accordance with the Letter No. (44036229), dated 26/04/1444H (corresponding to 20/11/2022G). On 17/10/1444H (corresponding to 07/05/2023G), the Company submitted a request to extend the non-objection to the capital increase in accordance with a letter to the Saudi Central Bank ("SAMA") No. (SM/81/2023). On 28/10/1444H (corresponding to 18/05/2023G), the Company obtained a letter from SAMA containing its approval to extend the no-objection to increasing the Company's capital through a rights issue.

The Company aims to increase its capital by offering Rights Issue to achieve and maintain the solvency level required by the Saudi Central Bank ("SAMA") (Please refer to Subsection (6.2) "Using the Net Offering Proceeds" of Section (6) "Using the Offering Proceeds").

Additionally, and as per the Company's reply dated 18/05/2022G to SAMA's letter number (43082110) dated 19/09/1443H (corresponding to 20/04/2022G) relating to the solvency rate requirements, pursuant to which SAMA considered that the effective solvency rate of the Company has

decreased as compared to the solvency rate required as per Article Sixty-Six (66) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, the Company's corrective plan included in addition to the increase of its capital, the following:

1. Restructuring of the investments.
2. Review of the credit policy of the Company.
3. Recover the insurance policies dues.
4. Review the sale and subscription strategy.

In the event of the Company's failure to correct its financial situation and its failure to meet the required solvency requirements, SAMA has the right, as per paragraph (D) of Clause (2) of Article Sixty-Eight (68) of the Implementing Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, to oblige it to appoint a consultant (to provide advice as needed) or to withdraw the Company's license and prevent it from selling its insurance products in the event that it does not comply with the correction of its financial position within a period determined by SAMA. This will have a negative and substantial impact on the Company's business, results of operations, financial position and future prospects.

Additionally, given that the accumulated losses reached more than (50%) of the Company's capital, then as per Clause (A) of Article (5) of the Procedures and Instructions related to Listed Companies with Accumulated Losses Reaching 20% of more of their Share Capital, issued by the Board of the Capital Market Authority pursuant to its resolution number 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H Amended by the Board of the Capital Market Authority Pursuant to its Resolution Number 8-5-2023 Dated 25/6/1444H Corresponding to 18/1/2023G, the Company should, immediately and without delay, disclose to the public in a separate announcement when its Accumulated Losses reach 50% or more of its Share Capital. The announcement should reflect the total Accumulated Losses, its percentage of the capital, and the main reasons that caused the losses, with reference that these procedures will be applicable. In case the announcement coincides with the interim or annual financial results announcement, the company is exempt from the disclosure in a separate announcement if it disclosed the required information as per this paragraph in the preliminary or yearly financial results announcement. As per Clause (C) of Article (5) of the Procedures and Instructions related to Listed Companies with Accumulated Losses Reaching 20% of more of their Share Capital, subject to the provisions of Article (132) of the Companies Law, the company shall, after announcing that its Accumulated Losses reached 50% or more of its Share Capital, announce the following:

1. The date of the last day on which the Board of Directors may invite the extraordinary general assembly to convene, and the date of the last day for convening the extraordinary general assembly to address the Accumulated Losses.

2. The Board of Directors' recommendation to the extraordinary general assembly regarding its Accumulated Losses immediately following its issuance. Article 132 of the Companies Law stipulates that if the losses of a company amount to half of the issued capital, the Board of Directors shall, within 60 days from the date of its knowledge thereof, announce the losses and the recommendations relating thereto, and shall, within 180 days from said date, call for an extraordinary general assembly meeting to consider the continuation of the company by taking measures necessary to resolve such losses or the dissolution of the company. On 18/01/1444H (corresponding to 16/08/2022G), the Extraordinary General Assembly approved the Board of Directors recommendation to reduce the Company's capital by one hundred and fifty thousand (150,000,000) Saudi Riyals so that the Company's capital becomes one hundred million (100,000,000) Saudi Riyals. This decrease aims to restructure the capital and amortize (94.48%) of the accumulated losses which amounted to (158,767,000) Saudi Riyals as at 31 December 2021. On 23/08/1444H (corresponding to 15/03/2023G), the Company announced its losses as at 31 December 2022G and the Board of Directors had recommended on 18/01/1444H (corresponding to 16/08/2022G) to increase the share capital of the Company through the issuance of rights issue with a total amount of Two Hundred Million Saudi Riyals (SAR 200,000,000) and the recommendation was amended on 09/04/1444H (corresponding to 03/11/2022G) to become increase the share capital of the Company through the issuance of rights issue with a total amount of One Hundred Million Saudi Riyals (SAR 100,000,000) instead of Two Hundred Million Saudi Riyals (SAR 200,000,000), which has been accepted by the shareholders during the extraordinary general assembly meeting held on 21/05/1444H (corresponding to 15/12/2022G). The accumulation of losses has a negative and material effect on the Company, its financial results and future expectations and can lead to dissolution thereof.

CMA has committed companies listed on the capital market by following the instructions for announcements of the joint stock companies listed on the capital market issued by the CMA Board resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G) based on the Companies Law issued by the Royal decree No. M/3 dated 28/01/1437H and amended by CMA Board Resolution No. 2-26-2023 dated 05/09/1444H (corresponding to 27/03/2023G) based on the Companies Law issued by the Royal Decree No. M/132 dated 01/12/1443H.

Except as disclosed in Sub-paragraph 2.1 (“Risks related to the Company’s activity and operations”) of Paragraph 2 (“Risk Factors”), as of the date of this Prospectus, the Company is committed to the Capital Market Law and its Implementing Regulations

Continuing obligations as per 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 of the end of the financial year, for the purpose of renewing its ZATCA certificate. The Company is registered as a taxpayer. It filed its zakat returns for the financial year ended December 31, 2021G and obtained a Zakat Certificate from ZATCA under no. 1110095148 dated 07/10/1443H (corresponding to 08/05/2022G) and valid until 10/10/1444H (corresponding to 30/04/2023G). The Company is going to have Zakat Certificate from ZATCA for 2022G.
- ZATCA issued assessments covering the years 2006G to 2012G amounting to 17.1 million Saudi Riyals, consisting of 9.3 million Saudi Riyals as zakat differences, 4.4 million Saudi Riyals as withholding tax differences, and 3.4 million Saudi Riyals as fines. The Company settled the withholding tax differences amounting to 4.4 million Saudi Riyals and partially settled the delay fines amounting to 3.1 million Saudi Riyals. Accordingly, the Company issued a letter of guarantee of 9.5 million Saudi Riyals in favor of ZATCA for the zakat differences of the aforementioned years. In 2021G, the Company settled its liabilities from 2008G to 2012G and subsequently asked ZATCA to release the SAR 9.5 million bank guarantee.
- A settlement request was submitted to ZATCA to pay 3 million Saudi Riyals to close the case, but the Zakat Disputes Committee reached a decision to settle 7.7 million Saudi Riyals to finalize the assessments for the mentioned years. ZATCA rejected the decision of the Zakat Disputes Committee, and upon the end of the hearing, the case was raised to the Appeal Committee.
- ZATCA issued an assessment for 2014G, in which it requested an additional zakat liability amounting to 1.2 million Saudi Riyals. The assessment was objected, and the objection was rejected by ZATCA. The case was escalated to the Tax Committees, and it is awaiting a decision.
- ZATCA issued an assessment for the years 2015G to 2018G, in which it requested an additional zakat liability amounting to 14.1 million Saudi Riyals, and a withholding tax liability for the years 2014G to 2018G amounting to 7 million Saudi Riyals. In 2021G, the Company settled the withholding tax differences to access the benefits of the first phase of the revised governmental amnesty period (full exemption of penalties).
- In 2021G, the Company received zakat assessments for the years 2019G and 2020G where ZATCA requested an additional liability amounting to SAR 11.4 million. The Company objected and the liability was later reduced to SAR 9.1 million. The Company paid SAR 2.3 million in order to object according to the Zakat regulation. The objection was referred to the general secretariat of the tax committees and the case is still under discussion.

- Continuing obligations as per HRSD’s requirements

A file under the unified No. 9-98311 was opened at HRSD (Labor Office) in line with the Saudization certificate issued thereby. As at the date of this Prospectus, the Company benefits from the e-services provided by HRSD. The Saudization certificate was obtained to state that the Company is committed to the required Saudization percentage (74%) as per Nitaqat program and it is classified in the platinum range. However, the Saudization certificate has expired on 18/03/2023G and the company is working on renewing it to benefit from HRSD services.

9.10.4 Company branches and points of sale

Article 5 of the Company's by-laws stipulates that the Company may establish branches, offices, or agencies inside or outside the Kingdom after obtaining SAMA's approval. In accordance with Article 9 of the Cooperative Insurance Companies Control Law, which stipulates that SAMA's written approval shall be obtained before opening insurance company branches, SAMA requires that the insurance companies willing to open branches shall adhere to the statutory procedures issued by the Ministry of Commerce and related to the opening of branches for joint stock companies. As for points of sale, the municipal license and/or rental contract shall be sufficient if the point of sale is located in government facilities, hotels, or tourist resorts (such as a kiosk). Until the date of preparing this prospectus, the Company obtained SAMA's final approval to open several branches and points of sale as follows:

List of branches and points of sale:

Table 68: Branches and points of sale and their commercial registrations and obtained municipal licenses

#	Branch	Commercial registration number	Date of Expiry	Municipal license number	Date of Expiry
1	Jeddah	4030169661	06/05/1447H (corresponding to 28/10/2025G)	40062060155	17/06/1447H (corresponding to 08/12/2025G)
			28/06/1444H (corresponding to 21/01/2023G)*	40072077682	28/06/1444H (corresponding to 21/01/2023G)*
			26/02/1445H (corresponding to 11/09/2022G)	39111394635	26/02/1445H (corresponding to 11/09/2022G)
			06/11/1442H (corresponding to 16/06/2021G)*	39111448869	06/11/1442H (corresponding to 16/06/2021G)*
			26/12/1444H (corresponding to 04/07/2023G)	39093664751	26/12/1444H (corresponding to 04/07/2023G)
2	Al Khobar	2051059594	14/02/1445H (corresponding to 30/08/2023G)	40021714770	14/04/1443H (corresponding to 19/11/2021G)
			22/07/1445H (corresponding to 03/02/2024G)	43109803926	10/01/1445H (corresponding to 28/07/2023G)
3	Riyadh	1010600111	23/04/1445H (corresponding to 07/11/2023G)	39111145315	23/04/1445H (corresponding to 07/11/2023G)
			29/04/1445H (corresponding to 13/11/2023G)	40092184036	29/04/1445H (corresponding to 13/11/2023G)
			01/07/1445H (corresponding to 13/01/2024G)	3909649787	17/08/1445H (corresponding to 27/02/2024G)
4	Abha	5850063211	01/07/1445H (corresponding to 13/01/2024G)	3909649787	17/08/1445H (corresponding to 27/02/2024G)
5	Al Bahah	5800019152	26/02/1445H (corresponding to 11/09/2023G)	41103584368	02/11/1442H (corresponding to 12/06/2021G)**
6	Taif	4032045121	27/08/1444H (corresponding to 19/03/2023G)	Issuance is underway	-
7	Madinah	4650076547	29/02/1445H (corresponding to 14/09/2023G)	40031782009	07/04/1445H (corresponding to 22/10/2023G)
8	Jizan	5900031114	18/02/1445H (corresponding to 03/09/2023G)	390995665	16/03/1445H (corresponding to 01/10/2023G)
9	Samtah	5907031324	03/03/1444H (corresponding to 29/09/2022G)*	40041968711	08/03/1446H (corresponding to 11/09/2024G)
10	Sabya	59060431731	21/04/1445H (corresponding to 05/11/2023G)	390995666	05/02/1446H (corresponding to 09/08/2024G)
11	Najran	5950033107	22/07/1444H (corresponding to 13/02/2023G)	3909102206	10/03/1443H (corresponding to 16/10/2021G)**
12	Makkah	4031086374	03/09/1444H (corresponding to 25/03/2023G)	Issuance is underway	-
13	Tabuk	3550035797	21/02/1446H (corresponding to 25/08/224G)	3909332656	04/05/1445H (corresponding to 18/11/2023G)
14	Dammam	2050112433	22/07/1445H (corresponding to 03/02/2024G)	3909646928	05/05/1445H (corresponding to 19/11/2023G)
15	Buraydah	1131057681	22/07/1445H (corresponding to 03/02/2024G)	3909364751	26/12/1444H (corresponding to 14/07/2023G)

Source: The Company

* Commercial registrations are expired and the Company is renewing them.

** Commercial activity licenses are expired and the Company is renewing them.

9.11 Summary of substantial contracts

The following is a summary of the agreements that are deemed substantial by the Company, based on the extent of their importance and impact on the Company's operations.

In concluding the contracts and agreements referred to below, the Company was committed to execute all transactions on a purely commercial and competitive basis that warrants the rights of shareholders, and to vote on these contracts by the Company's general assembly without the participation of shareholders who have interests in said contracts. The Company and its board members

confirm their compliance with the restrictions of the Companies Law and the Corporate Governance Regulations on transactions the related parties with respect to those contracts.

The Company has concluded several substantial contracts, including but not limited to the following:

9.11.1 Contracts with related parties

During its normal business, the Company deals with companies that are defined as related parties, and mainly representing membership in the Board of Directors, executive positions held by the Company's shareholders in other companies, and transactions carried out with related parties. Total transactions with related parties are as follows:

Table 69: Compensation of key management personnel

(SAR '000)	31 December 2020G (Audited)	December 31, 2021G (Audited)	December 31, 2022G (Not Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Salaries and benefits	2,975	1,395	4,698	(53.1%)	236.8%
End of service benefits for employees	1,042	1,180	1,295	13.2%	(9.7%)
Remuneration for governance officers	27	66	443	144.4%	571.2%
Total	4,044	2,641	6,436	(34.7%)	143.7%

Source: Audited financial statements for the years ended December 31, 2020G, 2021G and 2022G.

Table 70: Transactions with related parties

(SAR '000)	31 December 2020G (Audited)	December 31 2021G (Audited)	December 31 2022G (Audited)	% Annual Change 2020G - 2021G	% Annual Change 2021G - 2022G
Major shareholder					
Salama Company (IAIC) - United Arab Emirates*	-	-	970	N/A	(100.0%)
Entities that are controlled, jointly controlled, or significantly influenced by the members of the Board of Directors					
Salama Company (IAIC) - United Arab Emirates	-	(970)	-	N/A	
Al Mamoon Insurance Brokers	-	-	(884)**	N/A	(12.8%)
Ittihad Insurance Brokers	-	-	(36)**	N/A	(77.8%)

Source: The audited financial statements for the financial years ended December 31, 2020G, 2021G, and 2022G.

**These transactions are from the date of appointment of the relevant directors, i.e., September 11, 2022G.

Additionally, the Company appointed Al-Awwal Capital as a financial advisor, lead manager, and underwriter in relation to this issue. Also, Dr. Saleh Jameel Malaika, Chairman of Al-Awwal Capital, is a 0.057% shareholder in Salama. Moreover, (a) one of Mr. Saleh Jameel Malaika's subsidiaries, Rasd Intl Marketing Services, is a 3.72% shareholder in Salama; and (b) Mr. Uday Adnan Mohamed Telmesani, son of the General Manager of Al-Awwal Capital, is a 0.00004% shareholder in the Company.

Article (27) (1) of the Companies Law stipulates that neither the Company's manager nor a member of its board of directors may have any direct or indirect interest in the business and contracts that are made for the Company's account except with a license from the partners, the General Assembly, or Shareholders or their representatives.

Article (71) (1) of the Companies Law stipulates that, subject to the provisions of Article (27) of the Companies Law, a member of the Board of Directors shall, immediately upon his knowledge of any interest he has, whether direct or indirect, in the business and contracts that are made for the account of the Company, notify the Board about such interest, and record this notification in the Board minutes of meeting when it is convened. Such member may not participate in voting on the decision issued in this regard by the Board and General Assembly meetings. The board shall notify the general assembly, when it convenes, of the transactions and contracts in which such board member has direct or indirect

interest; the notice shall be accompanied with a special report prepared by the company auditor in accordance with auditing standards approved in the Kingdom.

Article (71) (2) stipulates that if a board member fails to disclose his interest referred to in Paragraph (1) of this Article, the Company or any interested party may claim before the competent judicial authority to invalidate the contract or oblige the member to pay any profit or benefit gained therefrom.

Article (71) (3) stipulates that the responsibility for the damages resulting from such business and contracts referred to in Paragraph (1) of this Article shall be borne by the member who has an interest in such business or contract and the Board members in case of failure or negligence in performing their obligations in violation of the provisions of this paragraph, or in case it is proven that such business and contracts are unfair or involve a conflict of interests and harm the shareholders.

In addition, Article (87) (1) of the Corporate Governance Regulations stipulates that the Board report shall include a presentation of its operations during the last financial year, and all factors affecting the Company's business. The Board report shall include the provisions of such Regulations that have been applied, the ones that have not been applied and the reasons for that.

With respect to the related party transactions relating to the financial year ending on 31/12/2022G, the ordinary general assembly of the Company approved the following transactions during its meeting held on 07/06/2023G:

1. Approving the contracts and transactions entered into between the Company and Al Mamoon Insurance Brokers, in which the board member Adnan Jamil Khoja (non-executive member) has a direct interest, relating to an insurance brokerage agreement. The agreement does not contain preferential rights and the total amount of the transaction for the year 2022 is Eight Hundred Eighty Four Thousand Saudi Riyals (SAR 884,000).
2. Approving the contracts and transactions entered into between the Company and Ittihad Insurance Brokers, in which the board member Abdallah Adel Sultan (independent member) has an indirect interest, relating to an insurance brokerage agreement. The agreement does not contain preferential rights and the total amount of the transaction for the year 2022 is Thirty Six Thousand Saudi Riyals (SAR 36,000).

The Board Report for the year 2022 includes information relating to the above-mentioned transactions which have been approved.

With respect to the related parties transactions that occurred during the financial year ending on 31/12/2021G, and while the Board Report for the year 2021 referenced the transactions and contracts that occurred during such year and clarified that it relates to payment received on behalf of Salamah IAIC – UAE and which amounts to Nine Hundred Seventy Thousand Saudi Riyals (SAR 970,000), however the board of directors did not notify the general assembly of the related party transactions that occurred during such year. Consequently, the general assembly did not approve the related party transaction with Salamah IAIC – UAE during the year 2021, due to the fact that it was not notified of such transaction.

As for the year 2020, no related party transaction have been entered into by the Company.

As such the violation of Articles Twenty Seven (27) and Seventy One (71) of the Companies' Law with respect to the related party transactions that occurred during the year 2021 with Salamah IAIC – UAE may subject the Company to fines from the CMA and to the cancellation of the agreements with respect to the related party transactions.

In concluding the aforementioned contracts and agreements, the Company was committed to executing all transactions on a purely commercial and competitive basis that warrants the rights of shareholders and the Company.

Except for the contracts and arrangements concluded with the above-mentioned related parties, the Company confirms that none of the board members or any of their relatives has any direct or indirect interest in the Company, and that there are no other contracts concluded with any other related parties, including the issuance of insurance policies covering their business and assets.

These contracts concluded with related parties contain the same terms and conditions that apply to the company's clients without any discrimination. The company also confirms its commitment to the insurance market behavior regulations issued by the Central Bank of Saudi Arabia (SAMA), and the related parties are defined as direct relatives, family members, wives, husbands, children, parents, brothers and sisters, and any institution in which any member of the board of directors owns interest of more than 5%.

Other than what is indicated above, the company confirms its commitment to the executive regulations, the corporate system, and the corporate governance regulations with regard to dealings with related parties.

9.11.2 Conflict of interest

The members of the Board of Directors acknowledge that no conflict of interest has arisen among them in connection with the contracts and/or transactions concluded with the Company and that they were not part of any activity similar to, or competing with, the activities of the Company as at the date of this prospectus.

9.11.3 Insurance brokerage agreements

Insurance broker agreements were concluded with relevant companies to facilitate attracting customers and promoting the company's insurance products to individuals, establishments, companies, and other entities. In exchange, insurance brokers are entitled to a commission estimated at a percentage of the premiums collected through the broker from clients for each type of insurance.

- Agreement validity duration: An agreement remains valid from the date of its initiation and signature until its termination or suspension as per the provisions of the agreement.

Below are the most important articles set forth in insurance broker agreements, some of which are the responsibility of the Company and others are the responsibility of the brokers. Such articles include, but not limited to, the following:

- Company obligations: Repaying commissions due to the broker against the premiums paid to the Company.
- Broker obligations:
 - The broker shall fully comply with all the business rules issued by the Company.
 - The broker shall execute the contract and provide the necessary insurance services to the insured in accordance with the regulatory requirements and professional principles.
 - The broker shall transfer all insurance premiums collected through insurance contracts concluded on behalf of the Company to the account of the insurance company within no more than 7 days from the date of collection.
- Spatial and qualitative scale: Under the agreement, the Company shall deal with the broker on a non-exclusive basis. As such, the Company may work with other brokers and agents during the contract validity period, without objection from the broker.
- Commissions: The broker shall receive a commission on the total insurance premiums, as per the agreement, for each operation assigned to the insurance Company. The Company may deduct any returned or canceled insurance premiums.
- Post-termination obligations: Under the agreement, the broker may receive the commissions collected on insurance policies until the expiration of the contract. However, the broker is not allowed to collect any compensation or commission on subscriptions due after the end of the contract.

9.11.4 Reinsurance agreements

A set of reinsurance agreements has been concluded with companies specialized in reinsurance business. Under these agreements, the Company reinsures all or part of the losses that may arise from the insurance policies issued by the Company to reduce its exposure to losses in return for an agreed-upon premium. Under these agreements, the Company is compensated against every part of the losses of the issued insurance

contracts. These agreements also include different exclusions depending on the reinsured product. Reinsurance agreements are usually valid for twelve months.

Table 71: Valid or renewed reinsurance contracts

Reinsurance company	Insurance policy / Type of Coverage
Arab War Risks Insurance Syndicate (AWRIS)	Marine insurance for goods against the dangers of war.
Guy Carpenter as an agent for Marsh Ltd	Reinsure loss excess against disasters
Swiss Re	Reinsure engineering excess
Swiss Re	Marine cargo insurance
Swiss Re	Business risk insurance
Swiss Re	Proportional insurance and surplus insurance related to business property

Source: The Company

The Company concluded the following reinsurance agreements that expired on 31/12/2022G and the renewed agreements have not been issued yet:

- Reinsurance with Chedid Re for travel assistance insurance.
- Reinsurance with Hannover Re for medical insurance.

9.11.5 Membership agreement at the Reconciliation Center for Insurance Disputes

The company entered into this agreement with the General Secretariat of the committees on the adjudication of insurance disputes and violations on 16/07/2018G. Under this agreement, the Company became a member of the Reconciliation Center for Insurance Disputes affiliated to the General Secretariat. The agreement is valid for one Gregorian year and is renewed automatically unless one of the two parties expresses its unwillingness to renew two months before the expiry of the term.

9.11.6 Provision of consulting actuarial services contract

An actuarial services contract was concluded on 29/06/2022G between the Company and Consulting Actuaries and Insurance (CAIS), to obtain actuarial advisory services in relation to the Company's business and services including the following:

- Annual actuarial reports
- Quarterly actuarial reports
- Reports on annual pricing of vehicles and medical works

9.11.7 Collection contracts

The Company concluded collection contracts with several companies.

Table 72: Valid or renewed collection contracts

Agreement	Date and duration	Parties	Topic
Harbor contract	From 01/04/2022G to 26/02/2023G Renewed automatically	First party: Salama Cooperative Insurance Company Second party: Abdullah Salem Bamberuk Trading Est.	The second party shall harbor vehicle wreckage
Debt collection contract	From 01/07/2021G to 02/07/2022G Renewed automatically	First party: Salama Cooperative Insurance Company Second party: Mokalahsa Debt Collections	The second party collects the debts and claims of the first party in exchange for a commission ranging between 20% and 25% of the claims.

Debt collection contract	From 01/10/2020G to 01/10/2021G Renewed automatically	First party: Salama Cooperative Insurance Company Second party: Sabaa for Debt Collection	The second party collects the debts and claims of the first party in exchange for a commission ranging between 25% and 35% of the claims.
Debt collection contract	From 01/07/2021G to 02/07/2022G Renewed automatically	First party: Salama Cooperative Insurance Company Second party: Office of Mohammed Abdullah Abdel Wahhab	The second party collects the debts and claims of the first party in exchange for a commission ranging between 20% and 25% of the claims.
Debt collection contract	From 01/09/2021G to 01/08/2022G Renewed automatically	First party: Salama Cooperative Insurance Company Second party: Asset Execution for Debt Collection	The second party collects the debts and claims of the first party in exchange for a commission ranging between 20% and 25% of the claims.
Debt collection contract	From 01/03/2022G to 01/03/2023G Renewed automatically	First party: Salama Cooperative Insurance Company Second party: Office of Fahd bin Abdullah Mahboob	The second party collects the debts and claims of the first party in exchange for a commission ranging between 20% and 25% of the claims.
Debt collection contract	From 01/11/2018G to 01/11/2019G Renewed automatically	First party: Salama Cooperative Insurance Company Second party: Osul Alsadad for Debt Collection	The second party collects the debts and claims of the first party in exchange for a commission ranging between 20% and 25% of the claims.

Source: The Company

9.11.8 Information Technology (IT) contracts

The Company concluded several IT contracts as follows:

Table 73: IT Contracts

Agreement	Date and duration	Parties	Topic
Service contract	From 27/07/2022G to 27/07/2023G	First party: Salama Cooperative Insurance Company Second party: Safe Decision Co.	Providing security incident response services and forensic analysis.
Project implementation contract	From 25/08/2022G to 25/08/2023G	First party: Salama Cooperative Insurance Company Second party: SAT Microsystems	Reach the level of cyber security required by SAMA
Maintenance agreement	From 01/01/2023G to 31/12/2023G Not renewed automatically	First party: Salama Cooperative Insurance Company Second party: National Computer Company	Provide the first party with the software maintenance agreement agreed upon between the parties
Buy Oracle software	From 08/06/2022G to 07/06/2023G	First party: Salama Cooperative Insurance Company Second party: Oracle	Buy Oracle software licenses
Service Level Agreement	From 30/06/2022G to 30/06/2023G	First party: Salama Cooperative Insurance Company Second party: STI Ecoms	Provide services related to several programs
Cisco security contract	23/10/2022G	First party: Salama Cooperative Insurance Company Second party: Cisco	Cisco provides services related to its software

Source: The Company.

9.11.9 Attorney's fees contract

The Company concluded an attorney's fees contract on 22/02/2021G with Fahd bin Abdullah Mahboob. The legal advisor in charge of the case filed by the Company against Al-Tawafuq Circle Workshop to claim SAR 8,328,968 from them. The legal advisor received a SAR 95,000 fee, in addition to 12% of the value of the adjudicated judgment after collecting it.

9.11.10 Lease contracts

The Company does not own any properties. The Company leases all the sites it occupies to conduct its business, whether these sites are for branches or points of sale. Therefore, the Company concluded the following lease contracts, most of which are traditional ones stating a rent amount paid by the Company to the lessor annually for renewal. These contracts are considered void when the lessee delays the payment of the rent.

Below are the lease contracts of the Company's sites and their key details:

Table 74: Lease contracts of the Company's sites

#	Branch	Lessor	Lease amount	Lease contract term
1	Madinah	Aziza Al-Harbi	SAR 45,000	From 01/05/2022G to 30/04/2023G Not renewed automatically***
2	Jeddah - Al-Makhzan	Jabal Edsas	SAR 50,000	From 15/07/2018G to 14/07/2019G Renewed automatically*
3	Jeddah	Abdulwahab Asaad	SAR 70,000	From 13/11/2022G to 12/11/2023G Not renewed automatically
4	Abha	Nasser Ibn Ali Ibn Mohammed Yoeen Allah	SAR 30,000	From 15/02/2023G to 14/02/2024G Not renewed automatically
5	Jeddah	Jabal Edsas	SAR 1,807,740 yearly	From 01/01/2023G to 31/12/2028G Not renewed automatically
6	Riyadh - Al-Rawdah	Turki Al-Dosari	SAR 46,500	From 28/08/2022G to 27/08/2023G Not renewed automatically
7	Riyadh – Jawazat	Saud bin Khalid bin Mohammed Al-Saud	SAR 180,000	From 05/12/2021G to 04/12/2023G Not renewed automatically
8	Al Bahah	Abdulaziz Al-Hamdan	SAR 116,393	From 07/10/2021G to 03/09/2024G Not renewed automatically
9	Sabya	Fawaz Radwan	SAR 20,000	From 30/07/2022G to 19/07/2023G Not renewed automatically
10	Riyadh (New branch)	Abdullah Al Turki Al Dhuhayan Sons Contracting Company	SAR 1,442,978	From 01/11/2021G to 31/10/2024G Not renewed automatically
11	Buraydah	Abdulrahman Al-Amer	SAR 30,000	From 14/04/2022G to 13/04/2023G Not renewed automatically
12	Tabuk	Ali Al-Otaibi	SAR 65,000	From 15/11/2022G to 14/11/2023G Renewed automatically
13	Samtah	Mohammed Madkhali	SAR 52,800	From 27/09/2022G to 26/09/2024G Not renewed automatically
14	Al Khobar	Rashid Al-Hijri	SAR 218,500	From 01/04/2022G to 31/03/2023G*** Not renewed automatically
15	Makkah	Abu Bakr Baqbis	SAR 35,000	From 26/10/2022G to 25/10/2023G** Not renewed automatically

16	Dammam	Mohammed bin Ibrahim Al-Wahhabi	SAR 57,500	From 16/02/2022G to 15/02/2023G Renewed automatically
17	Taif	Mohammed Al-Juhani	SAR 34,500	From 06/11/2022G to 05/11/2023G Not renewed automatically
18	Jizan	Shifa Abdullah Abdulrahman Basker	SAR 36,000	From 04/01/2023G to 03/01/2024G Renewed automatically
20	Jeddah – Quraysh	Loua Taher	SAR 40,000	From 01/08/2022G to 31/07/2023G Not renewed automatically
21	Jeddah	Jabal Edsas	SAR 946,853	From 01/01/2023G to 31/12/2023G Not renewed automatically
22	Najran	Yahya Misfer Saeed Al-Yami, real estate office	SAR 24,000	From 01/02/2023G to 31/01/2024G Not renewed automatically

Source: The Company

* Contracts are not registered on Ejar platform.

** The contract is a draft and not legally binding.

***Contracts are expired and the Company is renewing them.

9.12 Trademarks and intellectual property

The Company's competitive position depends largely on its ability to use its name and logo to promote and sell its services. The company aims to maintain the vibrant image of its brand name. The Company's competitive position depends on several factors, including its ability to use its trademark to provide its services in the markets and protect its rights.

On 06/06/1427H (corresponding to 02/07/2006G), the Company registered its own trademark under the name "Saudi IAIC Cooperative Insurance Company".

However, on 03/08/1433H (corresponding to 23/06/2012G), the Extraordinary General Assembly of the Company's shareholders approved amending its name to "Salama Cooperative Insurance Company". On 02/08/1433H (corresponding to 01/07/2012G), the Company submitted a request to the Ministry of Commerce to amend its trademark registration certificate, but the relevant legal procedures have not been completely fulfilled. On 28/04/1436H (corresponding to 17/02/2015G), the Company submitted a new application to amend the trade name in the certificate. To date, no trademark registration certificate has been issued for Salama Cooperative Insurance Company. The Company is following up this issue with the Saudi Authority for Intellectual Property.

9.13 Disputes and Litigations

The following is a summary of ongoing cases and lawsuits:

Table 75: Lawsuits, claims, and legal procedures filed against the Company

Lawsuit receipt date	Claimant	Lawsuit amount (SAR)	Jurisdiction	Status
06/04/2022G	Jihad Radi Al-Radi	500	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
20/04/2022G	Mohammed Jaber Al-Fifi	10,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
03/05/2022G	Youssef Nasser Al-Qadi	71,002	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
30/05/2022G	Daleel Saad Al-Ajaji	81,786	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
12/05/2022G	Mohammed Ali Saad Al-Din	1,578	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
01/06/2022G	Mohammed Dakhil Al-Dakhil	4,875	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
16/06/2022G	Walid Mohammed Hussein	14,615	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
05/06/2022G	Hamza Ahmed Batiah	1,312	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
20/06/2022G	Mohammed Medini Samli	13,172	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
22/06/2022G	Said Hassan Al-Zahrani	6,316	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
19/06/2022G	Samanallah Dhaheerallah	300,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
15/06/2022G	Ahmed Abdo Hakami	57,500	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
22/06/2022G	Abdulaziz Abed Al-Thubaiti	33,300	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
22/06/2022G	Sultan Abdullah Al-Absi	11,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
22/06/2022G	Nizar Yasser Al-Hussein	5,051	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
22/06/2022G	Youssef Zamil Al-Shamri	49,315	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway

02/07/2022G	Noura Jaber Al-Qahtani	8,672	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
06/07/2022G	Shomon Abdel-Momen Abdel-Momen	83,130	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
06/07/2022G	Mohammed Abu Bakr Bawazir	5,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
11/08/2022G	Hamid Busais Al-Atwi	13,174	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
09/08/2022G	Abdul Hameed Shaaban Abu Al-Enein	108,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
25/08/2022G	Saudi Structures	13,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
21/08/2022G	ALJ Finance	1,103,223	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
23/08/2022G	Safia Ali Al-Hazouber	9,581	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
23/08/2022G	Abdel-Majeed Mansour Al-Balawi	210,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
21/08/2022G	Mohammed Ibrahim Habaq	2,252	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
25/08/2022G	Mohammed Ayed Al-Rashidi	120,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
30/08/2022G	Maha Ali bin Rukan	50,221	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
30/08/2022G	Walid Abdo Saghir	18,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
11/09/2022G	Areej Gulf Est.	1,240,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
13/09/2022G	Luxurious House	23,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
25/09/2022G	Ali Saleh Amer	17,869	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
04/09/2022G	Emad Fouad Al-Qasim	5,708	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
06/09/2022G	Fadl Ali Al-Sharif	41,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
25/09/2022G	Faisal Ali Al-Luhaidan	15,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
29/09/2022G	Khaled Kaabi	12,275	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
29/09/2022G	Reem Al-Juhani	55,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
28/09/2022G	Nasser Al-Shahrani	1,418,250	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway

06/09/2022G	Abdul Majeed Abdullah Omar	7,086	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
12/10/2022G	Khaled Barrah	72,630	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
07/10/2022G	Badr Al-Dosari	10,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
11/10/2022G	Sheikha Al- Rashidi	258,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
17/10/2022G	Saleh Al-Dhiban	95,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
13/10/2022G	Ahed Al Sheikh	48,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
13/10/2022G	Mahmoud Mohammed	18,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
05/10/2022G	Mahdi Al-Omari	58,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
02/10/2022G	Musa Al-Zahrani	5,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
11/10/2022G	Nasser Al-Rashidi	377,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
27/10/2022G	Abdullah Al- Harbi	14,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
15/11/2022	Omar Abdullah Nasr	1,500	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
17/11/2022	Ahmad Al-Bous	20,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
29/11/2022	Majed Abdel Mannan Qader	8,120	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
02/11/2022G	Zahraa Al- Tarouti	10,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
04/11/2022G	Hossam Mohammed Abu Zaid	1,500	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
27/11/2022	Abdul Rahman Khaled Al- Mubarak	704	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
11/11/2022	Fatima Khawaji	41,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
22/11/2022	Mena Mamdouh Al-Harthy	12,485	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
16/11/2022	Ismail Sahari	506	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
28/11/2022	Omar Al-Suhaimi	1,799	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
21/11/2022	Amal Al-Shahrani	18,626	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
	Fawaz Ali Al- Asmari	7,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway

21/11/2022	Ali Al Mofreh	138,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
15/12/2022	Mohammed Al-Khadran	15,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
19/12/2022	Ismail Sahari	506	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
15/12/2022	Mohammed Mari Al-Omari	1,212	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
08/12/2022G	Majid Al-Saeed	2,600	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
06/11/2022G	Atheer Ahmed Al-Shehri	15,031	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
07/12/2022G	Anas Mohammed Al-Mulhim	338	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
06/12/2022G	Thamer Al-Fifi	8,432	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
21/12/2022	Mohammed Nasser Al-Masawi	22,754	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
17/12/2022	Sharifah Al-Otaibi	8,411	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
21/12/2022	Abdul Wahab Abalkhail	1,200	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
08/12/2022G	ALJ Finance	18,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
21/12/2022	Mahmoud Ahmed Al-Jaabari	300,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
20/12/2022	Ahmed Saad Jumaa	300,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
28/12/2022	Walaa Saad Shuail	316,500	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
22/12/2022	Ramadan Abdul Maqsoud	8,000	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
27/12/2022	Wael Mushabab Al Ateeq	15,974	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway
26/12/2022	Yasser Al-Sawat	1,022	Committees for Resolution of Insurance Disputes and Violations	Procedures are underway

Source: The Company

The Company also filed a lawsuit against Al-Tawafuq Circle Workshop to claim 8,328,968 Saudi Riyals. The case is handled by the legal advisor Fahd bin Abdullah Mahboob. A ruling was made in favor of the Company for 4,197,410.10 Saudi Riyals and Al-Tawafuq Circle Workshop is required to pay 51,750 Saudi Riyals as expert fees.

As at the date of this prospectus, and except as otherwise disclosed in this section and in Section 2 "Risk Factors" of this prospectus, the Company hereby confirms that it is not, either jointly or individually, a party in any lawsuit, claim, arbitration, or administrative procedures that would materially affect its business or financial position. However, and as is customary in the insurance sector, there are lawsuits filed against the Company before the committees on the adjudication of insurance disputes and violations. These lawsuits are related to claims for insurance policies for various insurance product types.

9.14 Material information that changed since CMA approved the last prospectus

Below is a summary of the most important information that changed since CMA approved the last prospectus (rights issue prospectus) issued in 2015G:

- **Capital:** On 22/12/1443H (corresponding to 21/07/2022G), the Company's capital was reduced by one hundred and fifty million (150,000,000) Saudi Riyals to a hundred million (100,000,000) Saudi Riyals.
- **Governance:** Internal governance regulations and policies were approved in line with the provisions of the Corporate Governance Regulations issued by CMA and the Insurance Companies Governance Regulations.
- **Articles of Association:** They were updated in line with the amendments made to the new Companies Law and approved by the Extraordinary General Assembly on 18/01/1444H (corresponding to 16/08/2022G) and by the Ministry of Commerce (Corporate Governance Department) on 18/01/1444H (corresponding to 16/08/2022G).

9.15 Declarations of the members of the Board of Directors related to legal information

In addition to the other declarations mentioned in this prospectus, the members of the Board of Directors acknowledge the following:

- a. The issuance does not constitute a breach of the relevant laws and regulations applicable in Saudi Arabia.
- b. The issuance does not constitute a breach of any contract or agreement entered into by the Company.
- c. All material legal information concerning the Company were disclosed in the prospectus.
- d. Other than what is mentioned in Section 2 "Risk Factors" and Subsection 13.8 "Disputes and Litigation" of this section, the Company is not subject to any lawsuits or legal actions that could, individually or collectively, materially affect its business or financial position.
- e. The members of the Board of Directors are not subject to any lawsuits or legal actions that may, individually or collectively, materially affect the Company's business or financial position.
- f. Other than what is mentioned in Section 2 "Risk Factors" and Subsection 9.10.3 "Continuing obligations imposed by government entities on the Company in its capacity as a license holder", the Company continued to comply with SAMA requirements until the date of this prospectus and pledges to continue to do so.
- g. Other than what is mentioned in Section 2 "Risk Factors" and Subsection 9.10.3 "Continuing obligations imposed by government entities on the Company in its capacity as a license holder", the Company continued to comply with the requirements of the Ministry of Commerce until the date of this prospectus and pledges to continue to do so.
- h. Other than what is mentioned in Section 2 "Risk Factors" and Subsection 9.10.3 "Continuing obligations imposed by government entities on the Company in its capacity as a license holder", the Company continued to comply with ZATCA requirements until the date of this prospectus and pledges to continue to do so.
- i. Other than what is mentioned in Section 2 "Risk Factors" and Subsection 9.10.3 "Continuing obligations imposed by government entities on the Company in its capacity as a license holder", the Company continued to comply with HRSD requirements until the date of this prospectus and pledges to continue to do so.
- j. The Company continued to comply with Tadawul requirements until the date of this prospectus and pledges to continue to do so.
- k. The Company has no subsidiaries as at the date of this Prospectus.

10. Underwriting agreement

The Company and the Underwriter (Al-Awwal Capital) concluded an underwriting agreement for ten million (10,000,000) ordinary shares at a price of ten (10) Saudi Riyals per share, representing 100% of the rights issue shares offered for subscription (“underwriting agreement”).

10.1 Underwriter

Underwriter	
<p>Alawwal Capital</p> <p>Jeddah, Bin Hamran Commercial Center, Second Floor, Prince Mohammed Bin Abdulaziz Street (previously Tahlia Street)</p> <p>P.O. Box 51536 Postal Code 21553</p> <p>Kingdom of Saudi Arabia</p> <p>Phone number: +966 12 2842321</p> <p>Fax number: +966 12 2840335</p> <p>Email: info@alawwalcapital.com</p> <p>Website: www.alawwalcapital.com</p>	

10.2 Main terms of the underwriting agreement

According to the terms and conditions of the underwriting agreement:

- The Company undertakes to the Underwriter that, on the date of the allotment, it will issue and allocate to the Underwriter all the right issue shares pledged to be underwritten in this offering, which the eligible shareholders have not subscribed to, at the offering price.
- The Underwriter undertakes to the Company that on the date of the allotment, it will purchase all the shares it pledged to underwrite in this offering, which the eligible shareholders did not subscribe to, at the offering price.
- The Underwriter shall receive a specific financial consideration in return for its undertaking to underwrite, which will be paid from the offering proceeds.
- The Underwriter’s obligation to purchase all remaining shares is subject to the provisions related to the termination of the agreement, such as the occurrence of any force majeure events as defined in the agreement, or the failure to fulfill several preconditions in connection with the offering.
- The Company will provide several guarantees, declarations and undertakings to the Underwriter.
- CMA’s approval to offer rights issue shares, the prospectus, and all required documents as per the rules of offering securities and continuing obligations.
- Resolution of the extraordinary general assembly to increase the capital through rights issue shares.
- Publish the prospectus and ensure that it is made available to the public as per the rules of offering securities and continuing obligations.
- The Company will submit, reasonably and at the request of the underwriter, all documents required by the Ministry of Commerce to register and/or amend the Company’s legal documents in connection with the capital increase.
- Business plan for the next five years with a breakdown for the year 2023G on a quarterly basis.
- Review of the financial projections of the business plan by an independent financial advisor.

11. Waivers

The Company did not obtain any exemption from CMA in relation to the offering.

12. Information related to the shares and offering terms and conditions

The Company applied to CMA to register and offer the new shares, and to Tadawul to list them. All requirements were fulfilled as per the rules of offering securities, continuing obligations, and listing rules.

All eligible persons (i.e., registered shareholders and the persons who purchased rights issue during the trading period) and bidders from investment institutions must carefully read the information related to the shares and the offering terms and conditions before subscribing online, submitting a subscription application through a broker, or filling out the rump offering form. Submitting a subscription application or signing and submitting the rump offering form constitute approval and acceptance of the aforementioned terms and conditions.

12.1 The offering

Under this prospectus, ten million (10,000,000) ordinary shares will be offered from the Company's capital, by issuing rights issue shares representing 100% of the Company's capital before the capital increase, at an offer price of ten (10) Saudi Riyals per share, a nominal value of ten (10) Saudi Riyals, and a total offering value of one hundred million (100,000,000) Saudi Riyals. The new shares will be issued to the holders of traded rights at a ratio of one (1) new share for every one (1) existing share. Subscription to the new shares will be available to all holders of traded rights, in order to increase the capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals.

12.2 How to submit a subscription application for rights issue shares (new shares)

Registered shareholders wishing to subscribe to rights issue shares must submit a subscription application during the subscription period through an investment portfolio on Tadawul platforms through which sale and purchase orders are entered. Subscription applications may also be made through any other means provided by the broker and the shares custodian in the Kingdom during the subscription period. If there is a rump offering period, subscription applications could also be submitted for any remaining shares by investment institutions only.

By participating in the subscription, the subscriber:

- Agrees to subscribe for the number of shares stated in the subscription application.
- Acknowledges that he/she carefully read this prospectus and understood all its contents.
- Accepts the Company's Articles of Association and the terms and conditions mentioned in this prospectus.
- Declares that he/she has not previously subscribed for the same shares of this offering through a broker, and the Company may reject all application in case of duplicate subscription applications.
- Accepts the number of shares allocated to him/her under the subscription application, as well as all subscription instructions and terms mentioned in the application and in this prospectus.
- Warrants not cancelling or amending the subscription application after its submission.

Registered shareholders will be able to trade the rights issue deposited in their portfolios through Tadawul platform. These rights are considered an acquired right for all shareholders registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the day of the extraordinary general assembly meeting on the capital increase (eligibility date). Each right gives its holder the right to subscribe for one new share at the offering price. Rights issue will be deposited at the latest two business days after the extraordinary general assembly meeting on the capital increase is held. The rights will appear in the portfolios of the registered shareholders under a new symbol for rights issue, and the registered shareholders will then be notified about the rights being deposited into their portfolios.

12.3 Subscription application

Eligible persons wishing to exercise their full rights and subscribe for all rights issue to which they are entitled, must subscribe through the investment portfolio on the trading platforms through which purchase and sale orders are entered or through any other means provided by the broker and the custodian of the shares.

The number of shares that an eligible person is entitled to subscribe for is calculated based on the number of rights issue he/she owns. As for the subscription amount that the subscriber is required to pay, it is calculated by multiplying the number of existing rights issue he/she owns before the end of the subscription period by ten (10) Saudi Riyals.

12.4 Trading and subscription stage and rump offering period

Shareholders who are eligible and wish to subscribe to the Rights Issue have to submit a subscription application during the subscription period, which starts on Thursday 25/04/1445H (corresponding to 09/11/2023G) and ends on Tuesday 07/05/1445H (corresponding to 21/11/2023G). On 21/05/1444H (corresponding to 15/12/2023G), the Extraordinary General Assembly approved the Company's directive to proceed with the capital increase procedures and obtain the approval of the competent authorities.

On Sunday 21/04/1445H (corresponding to 05/11/2023G), the Extraordinary General Assembly approved the increase of the Company's capital by issuing priority rights shares. The offering will consist of ten million (10,000,000) new ordinary shares ("Rights Issue shares" or "new shares") at an offer price of ten (10) Saudi Riyals per share and a nominal value of ten (10) Saudi Riyals per share. This will increase the Company's capital following the subscription from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) ordinary shares, i.e., an increase of 100% in the Company's current capital.

Under this prospectus, ten million (10,000,000) ordinary shares will be offered for subscription by issuing rights issue shares representing 100% of the Company's capital before the subscription, at an offer price of ten (10) Saudi Riyals per share, a nominal value of ten (10) Saudi Riyals, and a total offering value of one hundred million (100,000,000) Saudi Riyals. The new shares will be issued at the rate of one share for each rights issue share. Subscription to the rights issue will be open to the shareholders registered in the Company's register of shareholders, at the end of the second trading day following the Extraordinary General Assembly that involved the approval to increase the capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals by Rights Issue on 23/04/1445H (corresponding to 07/11/2023G), and to the eligible persons who purchased rights issue during their trading period, including registered shareholders who purchased additional rights on top of the rights they already own. If the eligible persons do not avail the rights issue by the end of the subscription period, then the remaining shares (as a result of not availing or selling such rights by the eligible persons) will be offered to investment institutions during the rump offering period. Registered shareholders will be able to trade the Rights Issue that have been deposited in their portfolios through Tadawul. These rights are considered as an acquired right for all shareholders registered in the Company's register at the end of the second trading day following the Extraordinary General Assembly for the capital increase. Each right entitles its holder to subscribe to one new share at the offering price. Rights issue will be deposited after the Assembly convenes. The rights will appear in the portfolios of the registered shareholders under a new symbol for rights issue, and the registered shareholders will then be notified about the rights being deposited into their portfolios.

The schedule and details of the offering are as follows:

- Eligibility date: End of the trading session on the day of the Extraordinary General Assembly for the capital increase on Sunday 21/04/1445H (corresponding to 05/11/2023G).

- **Trading period and subscription period:** The trading period and subscription period start on Thursday 25/04/1445H (corresponding to 09/11/2023G) and trading period ends on Thursday 02/05/1445H (corresponding to 16/11/2023G), while the subscription period continues till the end of Tuesday 07/05/1445H (corresponding to 21/11/2023G).
- **Rump offering period:** Rump offering subscription period starts on Sunday 12/05/1445H (corresponding to 26/11/2023G) from 10:00 AM until 05:00 PM of the following day on Monday 13/05/1445H (corresponding to 27/11/2023G). During this period, Rump Shares will be offered to a number of investment institutions, provided that these investment institutions submit their offers to purchase the Rump Shares during the Rump Offering period. provided that their bids are not below the offering price. Rump shares will be allocated to investment institutions from the highest to the lowest bids. Rump shares will be allocated on a pro rata basis to the investment institutions offering the same price. As for fractional shares, they will be added to the rump shares and treated similarly. The subscription price for the new unsubscribed shares during this period will be at the minimum offering price. If the price of the unsubscribed shares is higher than the offering price, the difference (if any) will be distributed as compensation to the holders of the rights issue who did not subscribe to their rights and the owners of fractional shares proportionally to the rights they own. If there are shares that are not purchased by the investment institutions, these shares will be allocated to the underwriter who will purchase them at the offering price.
- **Final allocation of shares:** Shares will be allocated to each investor based on the number of rights that they fully and properly availed. All proceeds from the sale of the Rump Shares will be paid to the Company, provided that the Company distributes the difference between the proceeds of the Rump Offering and the Rump Offering price to the eligible persons who did not avail their subscription right, wholly or partially, without any fees or deductions no later than Thursday 15/06/1445H (corresponding to 28/12/2023G).
- **Trading of new shares in the market:** New shares trading will start on Tadawul after completing all procedures related to registration and allocation of the new shares, and the period between the end of the subscription in Issue Rights and deposit of shares in the shareholders' portfolios will be 9 working days.

12.5 Eligible persons not participating in the new shares subscription

Registered shareholders who do not participate, wholly or partially, in subscribing to the new shares will see their ownership percentage in the Company be subject to a loss and decrease, and the value of the shares they currently own will also decrease. However, registered shareholders who do not avail their rights to subscribe will retain the same number of shares they owned before the capital increase. Eligible persons who do not subscribe to the new shares will not receive any advantages or benefits in exchange for the Rights Issue shares they are entitled to, except for receiving a cash compensation from the proceeds of selling shares in the Rump Offering, proportional to their rights. It is worth noting here that if investment institutions purchased the remaining shares at the offering price, or if such investment institutions did not subscribe in the Rump Offering and the Underwriter consequently purchased the remaining shares at the offering price, the eligible persons who did not participate in the subscription would not receive any compensation for the Rights Issue in the new shares that they did not avail.

If the Rump Shares are sold to investment institutions at a price higher than the offering price, the amount of compensation for the eligible persons who did not participate, wholly or partially, in the subscription of the new shares will be determined based on the following equation:

Compensation amount for each unsubscribed share = Total Rump Offering Proceeds - Total Remaining/ Offering Price Number of unsubscribed shares.

12.6 Allocation

The Company and the Lead Manager will open an escrow account into which the offering proceeds will be deposited. Shares will be allocated to each investor based on the number of rights they availed fully and correctly. As for fractional shares and the shares of eligible persons who have not exercised their right to subscribe wholly or partially, such shares will be collected and offered to investment institutions during the Rump Offering Period. The total offering amount, including the amount resulting from the Rump Offering, will be paid to the Company, provided that the Company distributes the remaining amount of the proceeds of the Rump Offering and the fractional shares (that exceed the offering price) among the eligible persons, who did not avail, wholly or partially, their right to subscribe, each as per eligibility percentage, without any fees or deductions, no later than Thursday 15/06/1445H (corresponding to 28/12/2023G). If unsubscribed shares remain after that, the Underwriter will purchase these remaining new shares that will be allocated thereto.

The final number of shares allocated to each eligible person without any commissions or deductions by the Lead Manager and the Additional-Lead Manager will be announced by recording them in the subscribers' accounts. Eligible persons should contact the broker through which the subscription application was submitted, to obtain any further information. Allocation results will be announced no later than Monday 20/05/1445H (corresponding to 04/12/2023G).

12.7 Compensation payment and surplus refund

Compensation will be paid, and any surplus (if any) will be refunded to the eligible persons who did not participate, wholly or partially, in the subscription of the Rights Issue shares without any deductions, no later than Thursday 15/06/1445H (corresponding to 28/12/2023G). The amounts will be deposited into the bank accounts linked to the portfolios of the eligible persons who did not avail their right to subscribe to the new shares and those entitled to fractional shares.

12.8 Supplementary Prospectus

The Company must submit a supplementary prospectus to the CMA, as per the requirements of the rules on the offering of securities and continuing obligations, if at any time after the publication of this prospectus and before the completion of the offering, the Company becomes aware of any of the following:

- The existence of a significant change in material matters mentioned in this Prospectus.
- The emergence of any important matters that should have been included in this Prospectus.

An investor who subscribed for new shares before the publication of the Supplementary Prospectus may cancel or amend their subscription for these shares before the end of the offering period.

12.9 Suspension or cancellation of the offering

The CMA may, at any time, issue a decision to suspend or cancel an offering if it deems that the offering may result in a breach of the Capital Market Law, its Implementing Regulations, or the market rules. The offering may also be canceled if the Extraordinary General Assembly does not approve any of its details.

12.10 FAQs about the new mechanism for the Rights Issue

What is a Rights Issue?

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

To whom Rights are granted?

Rights are granted to all registered shareholders in the Company's shareholders register at the Depository Center as at the close of the second trading day following the Extraordinary General Assembly for the capital increase.

When are the Rights deposited?

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

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

Registered investors are notified through an announcement on Tadawul's website, the Tadawulati service provided by the Securities Depository Center, and text messages sent through intermediaries/brokers.

How many Rights can be acquired by a Registered Shareholder?

The number of rights that can be acquired by a Registered Shareholder depends on the subscription Eligibility Factor and the number of shares held by the Registered Shareholder in the Company's Shareholders Register at the Depository Center at the close of the second trading day following the Extraordinary General Assembly for the capital increase.

What is the Rights Issue Eligibility Factor?

It is the ratio that permits the Registered Shareholder to know how many Rights he is entitled to in relation to the Shares that he already owned at the date of the Extraordinary General Assembly meeting. This factor is calculated by dividing the number of new shares by the number of the current issued shares of the Company. For example, if a company has ten million (10,000,000) issued shares and it raised its capital by offering ten million (10,000,000) new shares, making the total number of its shares twenty million (20,000,000) shares, then the subscription Eligibility Factor will be 1 to 1 (one right for every share).

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

Yes, the rights issue will be deposited into the investors' portfolios under the name of the original share, with the addition of the words "Rights Issue" and a new symbol for these rights.

What is the Right value upon commencement of trading?

The Right opening price is the difference between the share closing price on the day preceding the Right listing, and the Offer Price. For example, (using hypothetical prices), if the closing price of a share on the preceding day is twenty-five Saudi Riyals (SAR 25) and the offering price is ten Saudi Riyals (SAR 10), then the opening price of the rights issue at the beginning of the trading will be fifteen Saudi Riyals (SAR 15) (i.e., the difference between the two prices).

Who is the Registered Shareholder?

Shareholders who own Shares at the end of trading on the day of the Extraordinary General Assembly for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly for the capital increase.

Can Registered Shareholders subscribe for additional shares?

Yes, Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period and then subscribe to them during the Subscription Period after completing the purchase and settlement of Rights.

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

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

How does the subscription take place?

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

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

An eligible person cannot subscribe to more shares than the rights they own.

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

The Rights Issue will be deposited in the same portfolio where the Company's shares connected to the Rights are deposited. For example, if a shareholder owns one thousand (1,000) shares in the Company with eight hundred (800) shares in portfolio A and two hundred (200) shares in portfolio B, then one thousand (1,000) rights (assuming a ratio of one right per share) will be deposited as eight hundred (800) rights in portfolio A and two hundred (200) rights in portfolio B.

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

If Company shares are acquired through more than one investment portfolio, the new shares will be deposited after allocation in the investment portfolio stated in the first subscription application.

Are share certificate holders allowed to subscribe and trade?

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

If New Shares are subscribed to and the Rights are sold after that, what happens in this case?

In the event that a registered shareholder subscribed and then sold the Rights, and the number of Rights equal to the number of Rights he subscribed for before the end of the trading period was not purchased, the subscription application will be rejected entirely in the event that all rights are sold or partially equal to the sold rights. The registered shareholder will be notified accordingly, and the rejected subscription amount will be returned to him/her through the receiving agent.

Are additional Rights purchasers entitled to trade them once again?

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

Is it possible to sell a part of these Rights?

Yes, an investor may sell a part of these rights and subscribe to the remaining part.

When can a shareholder subscribe to the rights issue they purchased during the trading period?

After the settlement of the rights purchase (i.e., two working days), provided that the subscription for the rights issue takes place during the subscription period.

Can the holder of the rights issue sell or assign them after the end of the trading period?

No, they cannot do that. After the end of the trading period, the holders of the rights may only exercise their right to subscribe to the rights issue shares or abstain from exercising this right. If this right is not exercised, the investor may incur a loss or a decrease in the value of their investment portfolio.

What are Trading and Subscription periods?

The trading period and the subscription period start on the same day. The trading period continues for six days, whereas the subscription period continues for nine days, as mentioned in this prospectus and in the Company's announcements.

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

If the new shares are not fully subscribed for during the Offering Period, the remaining new shares will be offered for subscription through an offering to be organized by the Lead Manager and the Additional- Lead Manager. The amount of compensation (if any) for the Rights holder will be calculated after deducting the subscription price. The investor may receive no compensation if the sale occurs in the Rump Offering Period at the Offering Price.

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

A registered shareholder in the company's shareholders' register at the Depository Center, at the close of the trading session on the day of the extraordinary general assembly for the capital increase, can attend the assembly and vote on the issuer's capital increase by offering rights issue shares.

When is the share price adjusted as a result of increasing the issuer's capital through a rights issue?

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

If an investor buys securities on the extraordinary general assembly day, will they be eligible for the rights issue resulting from the issuer's capital increase?

Yes, as the investor will be registered in the Company's shareholders register two business days after buying the shares (i.e., at the close of the second trading day following the extraordinary general assembly day), bearing in mind that the rights issue will be granted to all shareholders registered in the Company's shareholders register at the close of the trading session on the second trading day following the extraordinary general assembly day. However, the investor may not attend or vote in the extraordinary general assembly for the capital increase.

Will any other fees be added for the rights issue trading?

The same commissions applicable to shares apply to purchase and sale transactions, but without a minimum commission amount, provided that the maximum amount does not exceed fifteen and a half basis points (0.155%) of the total transaction amount.

If an investor has more than one portfolio with more than one brokerage firm, how will their rights be calculated?

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

Is it possible to subscribe during the weekend?

No, that is not possible.

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

Yes, after completing the purchase of the Right issue during the Trading period.

12.11 Trading in the New Shares

Trading in the New Shares will start when all relevant procedures are completed, which is expected after allocating the New Shares. The start of trading will be announced later.

12.12 Miscellaneous items

- The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the Kingdom's regulations and shall be construed in accordance with them.

- This Prospectus may be distributed in both Arabic and English, and in the event of a conflict between the Arabic text and the English text, the Arabic text of the Prospectus shall prevail.
- Despite CMA's approval of this Prospectus, it may suspend this offering if the Company becomes aware at any time after such approval and before the acceptance and listing of shares in the market that:
 1. The occurrence of a significant change in any of the basic information contained in this Prospectus or any documents required to be listed as per the rules on the offering of securities and continuing obligations; or
 2. The availability of any additional information that should have been included in this Prospectus.

In these two cases, the Company submits a Supplementary Prospectus to the CMA, as per the requirements of the rules on the offering of securities and continuing obligations. The Supplementary Prospectus is then issued, and the new subscription dates are announced. It is also possible to suspend this subscription if the Extraordinary General Assembly does not approve any of its details. An investor who subscribed for new shares before the publication of the Supplementary Prospectus may cancel or amend their subscription for these shares before the end of the Offering Period.

Further Assistance:

If you have any inquiries, please contact the Company on the e-mail address: customer.care@salama.com.sa. For legal reasons, the Company can only provide the information contained in this Prospectus and cannot provide advice on the merits of issuing rights, nor can it provide financial, tax, legal, or investment advice.

12.13 Decisions and approvals according to which shares will be offered

The decisions and approvals according to which the shares will be offered are as follows:

1. The recommendation of the Company's Board of Directors, amended on 09/04/1444H (corresponding to 03/11/2022G), to increase the Company's capital by offering Rights Issue shares amounting to one hundred million Saudi Riyals (SAR 100,000,000) after obtaining all the necessary regulatory approvals and the approval of the Extraordinary General Assembly.
2. The Company obtained the no objection letter from SAMA on the Company's capital increase according to letter No. 44036229 dated 26/04/1444H (corresponding to 20/11/2022G).
3. On 07/05/2023G, the Company submitted a request to extend the non-objection to the capital increase in accordance with the letter to SAMA No. (SM/81/2023). On 28/10/1444H (corresponding to 18/05/2023G), the Company obtained a letter from SAMA containing its approval to extend the no-objection to increasing the Company's capital through a rights issue for three months from the date of the letter.
4. Approval by Tadawul on the application to list the Rights Issue shares on 17/11/1444H (corresponding to 06/06/2023G).
5. Approval to publish this Prospectus and all the supporting documents requested by CMA, on the date of its announcement on CMA's website on 05/01/1445H (corresponding to 23/07/2023G).
6. Approval by the Extraordinary General Assembly of the Company's shareholders on Sunday 21/04/1445H (corresponding to 05/11/2023G) to increase the Company's capital through Rights Issue. The subscription consists of offering ten million (10,000,000) ordinary shares at an offering price of 10 Saudi Riyals per share as a nominal value, to increase the Company's capital from one hundred million (100,000,000) Saudi Riyals to two hundred million (200,000,000) Saudi Riyals and increase the number of its shares from ten million (10,000,000) to twenty million (20,000,000) ordinary shares.

12.14 Miscellaneous items

The subscription application forms and all related terms, conditions, and undertakings are binding and for the benefit of all involved parties, including successors, assignees, executors of wills, estate managers, and heirs, provided that, except as specifically stipulated in this Prospectus, neither the application nor any of the rights, interests, or obligations arising pursuant thereto can be assigned or delegated by any of the parties referred to in this Prospectus without the prior written consent of the other party.

These instructions and terms and any receipt of the subscription application or the contracts resulting therefrom are governed by the laws of the Kingdom of Saudi Arabia and interpreted in accordance with them. This Prospectus can be distributed in both Arabic and English. In the event of any conflict between the Arabic and English versions of this Prospectus, the Arabic version shall prevail.

12.15 Statement of any arrangements in place to prevent the disposal of certain shares

There are no arrangements in place to prevent disposal of any shares.

13. Change in share prices after a capital increase

13.1 Change in the share price as a result of an increase in capital

The closing price of the Company's share on the day of the extraordinary general assembly for the capital increase is SAR (32.25), and it is expected to reach SAR (21.12) at the opening of the following day, marking a (34.51%) decrease. If any of the shareholders registered in the Company's shareholders register at the Depository Center do not subscribe at the end of the second trading day following the Extraordinary General Assembly day, this will lead to a decreasing their ownership percentage in the Company.

13.2 Method for calculating the share price as a result of the capital increase

13.2.1 Calculating the market value of the Company upon closing on the day of the Extraordinary General Assembly for the approval of the capital increase:

The number of shares at the end of the day of the Extraordinary General Assembly x the Closing Price of the Company's share on the day of the Extraordinary General Assembly = The market value of the Company upon closing on the day of the Extraordinary General Assembly.

13.2.2 Calculating the share price upon opening on the day following the Extraordinary General Assembly for the approval of the capital increase:

(The market value of the Company upon closing on the day of the Extraordinary General Assembly + the value of the offered shares) / (the number of shares at the end of the day of the Extraordinary General Assembly + the number of shares offered for subscription) = The expected share price upon opening on the day following the Extraordinary General Assembly.

14. Subscription-related undertakings

14.1 Overview of the subscription application and undertakings

It is possible to subscribe using trading platforms or any other means provided by a broker to the investors. Subscription for the new shares will be done in one stage, according to the following:

- During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
- A Registered Shareholder will be allowed to subscribe directly to the number of his shares during the Subscription Period, and if he buys new Rights, he will be able to subscribe to them after the end of their settlement period (two working days).
- The new investors will be entitled to subscribe to the new shares immediately after settlement of the rights purchase process (two working days).
- E-subscription will be available through the investment portfolio on the trading platforms and applications through which buying and selling orders are entered, in addition to any other means provided by the broker, provided that only approval is made to subscribe to a number of new eligible shares according to the priority rights in the investment portfolio.

Each Rights Issue entitles its holder to subscribe to one new share at the Offering Price. A subscriber to new shares declares the following:

- Accepting all the subscription terms and conditions stated in this Prospectus.
- Reading and understanding this Prospectus and all its contents.
- Accepting the Company's by-laws.
- Undertaking not to cancel or amend the subscription application after implementation thereof.

14.2 Allocation

Rights Issue shares will be allocated to Eligible Persons based on the number of rights they fully and correctly exercised. As for fractional shares, they will be combined and offered to investment institutions during the Rump Offering period (if any). The total price of the Rump Offering will be paid to the Company. The remaining proceeds from the sale of the remaining shares and fractions of shares (i.e., exceeding the Offering Price) will be distributed to the entitled persons, each according to what they are entitled to, no later than Thursday 15/06/1445H (corresponding to 28/12/2023G). If unsubscribed shares remain after that, then the Underwriter will purchase the remaining new shares and they will be allocated to them.

Eligible Persons should contact the agent through which the subscription application was submitted, to obtain any further information. Allocation results will be announced no later than Monday 20/05/1445H (corresponding to 04/12/2023G).

14.3 Tadawul

Tadawul was established in 2001G as an alternative for the securities online information system. Online share trading started in the Kingdom in 1990G.

Shares are handled on Tadawul through an integrated mechanism that covers trading from the execution of the deal until settlement. Trading is conducted every business day (from Sunday to Thursday) at one go, from 10:00 AM until 3:00 PM, during which orders are executed. Beyond these times, orders can be entered, amended, and cancelled from 9:30 AM until 10:00 AM. New entries and inquiries can be made starting at 9:30 AM for the opening session that starts at 10:00 AM. These times may change during Ramadan and will be announced by Tadawul's management.

Tadawul matches orders by price. Orders are received and prioritized based on the price. In general, market orders are executed first (i.e., orders that have the best prices) followed by fixed-price orders. If several submitted orders have the same price, they are executed based on their submission time.

Tadawul distributes a comprehensive range of information through different channels, most notably Tadawul's website which provides up-to-date market information instantly for major information providers such as Reuters.

Transactions are settled within two business days, i.e., share ownership is transferred after the settlement is finalized (i.e., two business days from the deal execution date).

The Company must disclose all important decisions and information to investors through Tadawul, which is responsible for monitoring the market to ensure fair and smooth share trading.

14.4 Trading the Company's shares in the Saudi stock market

An application was submitted to the CMA to register and list a Rights Issue in the Saudi Stock Market, and another was submitted to Tadawul to list them. This Prospectus was approved, and all requirements were met.

It is expected to approve the registration and start trading the Rights Issue in the Saudi Stock Market after the final allocation of the Rights Issue is completed, which will be announced in due course on Tadawul's website. The dates mentioned in this Prospectus are tentative and may be changed with CMA's approval.

Although existing shares are listed in the Saudi Stock Market and the Company's shares are listed on Tadawul, the new shares can only be traded after the final allocation of the shares is approved and they are deposited in the subscribers' portfolios. Trading the new shares is strictly prohibited before the allocation is approved.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them and the Company shall not be liable in such a case.

15. Documents available for inspection

The following documents will be available for inspection at the Company's headquarters located in Jeddah, Kingdom of Saudi Arabia, Salama Tower - Madinah Road, P. O. Box 7864, Jeddah 23525, from Sunday to Thursday, during official working hours from 8:00 AM until 4:00 PM, as of the first working day after the date of the call for the Extraordinary General Assembly, provided that this period is not less than fourteen (14) days before the date of the Extraordinary General Assembly. These documents will remain available for inspection until the end of the offering:

15.1 Documents related to the Company's incorporation and by-laws

- Commercial registration.
- Articles of association.
- By-laws.

15.2 Approvals related to the offering

- Board of Directors' decision recommending the capital increase.
- No-objection letter by SAMA to increase the Company's capital.
- Conditional approval by Tadawul Group to list the new shares.
- CMA's approval to offer the Rights Issue shares.
- Resolution of the Extraordinary General Assembly approving the capital increase.

15.3 Reports, letters, and documents

- Underwriter's agreement and the Lead Manager's agreement.
- Written consents by the Financial Advisor, Lead Manager, Additional Lead Manager, Underwriters, Legal Advisor and Auditors, to use their names, logos, and statements in the Prospectus.
- Written approval by the Actuary, Lux Actuaries for Actuarial Services, to use its name, logo and statement in the Prospectus.

The resolution of the Company's Extraordinary General Assembly to approve the capital increase will be available for inspection at the Company's headquarters located in Jeddah on the day following the date of the resolution.