

# Rights Issue Prospectus

## The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (MEDGULF)



A Saudi Joint Stock Company incorporated pursuant to Council of Ministers Resolution No. (233) dated 16/09/1427H (corresponding to 09/10/2006G) and registered in Riyadh under Commercial Registration No. 1010231925 dated 08/4/1428H (corresponding to 26/04/2007G).

Offering thirty five million (35,000,000) ordinary shares at an offer price of twelve (12) Saudi Riyals and nominal value of ten (10) Saudi Riyals per share by way of a Rights Issue, representing an increase of the Company's share capital by (50%) to reach one billion and fifty million (1,050,000,000) Saudi Riyals, divided into one hundred and five million (105,000,000) ordinary shares.

**Trading Period:** Starts from 10/04/1443H (corresponding to 15/11/2021G) until 17/04/1443H (corresponding to 22/11/2021G)

**Subscription Period:** starts from 10/04/1443H (corresponding to 15/11/2021G) until 20/04/1443H (corresponding to 25/11/2021G)

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (MEDGULF) (hereinafter referred to as the "Company" or "MEDGULF Saudi Arabia") was incorporated as a Saudi joint stock company pursuant to Council of Ministers Resolution No. (233) dated 16/09/1427 H (corresponding to 09/10/2006G) and Royal Decree No. (M/60) dated 18/09/1427 H (corresponding to 11/10/2006G), and registered in Riyadh under Commercial Registration No. 1010231925 dated 08/04/1428 H (corresponding to 26/04/2007G).

The current share capital of the Company is seven hundred million (700,000,000) Saudi Riyals, divided into seventy million (70,000,000) ordinary shares, paid in full, with a nominal value of ten (10) Saudi Riyals per share ("Current Shares").

The Company's Board of Directors recommended in its meeting held on 19/02/1441H (corresponding to 05/10/2020G) (as amended on 04/11/1442H (corresponding to 14/06/2021G)), after decreasing the Company's capital from eight hundred million (800,000,000) Saudi Riyals to seven hundred million (700,000,000) Saudi Riyals, to increase the Company's capital from seven hundred million (700,000,000) Saudi Riyals to one billion and fifty million (1,050,000,000) Saudi Riyals through a Rights Issue after obtaining the necessary regulatory approvals in order to restructure the company's capital to extinguish accumulated losses. The company obtained approval of Central Bank of Saudi Arabia to decrease its capital under letter no. 42026560 issued on 23/04/1442H (corresponding to 08/12/2020G) and approval of Central Bank of Saudi Arabia to increase its capital under letter no. 42074294 issued on 25/10/1442 H (corresponding to 06/06/2021G). The Extraordinary General Assembly Meeting ("EGM") approved to decrease the Company's share capital on 10/09/1442H (corresponding to 22/04/2021G) in order to restructure the Company's share capital to reduce its accumulated losses.

On 28/03/1443H (corresponding to 03/11/2021G), the EGM approved to increase the Company's share capital, by 50%, from seven hundred million (700,000,000) Saudi Riyals to one billion and fifty million (1,050,000,000) Saudi Riyals through a Rights Issue. The subscription will be through offering thirty five million (35,000,000) new ordinary shares (referred to as "New Shares", "Rights Shares" or the "Offer Shares") at an offer price of twelve (12) Saudi Riyals per share (referred to as "Offer Price"), with a nominal value of ten (10) Saudi Riyals.

The Company's shareholders, who are registered at the end of the trading period on the day of the EGM and who are registered in the Company's shareholders register at the Depository Center Company ("Depository Center" or "Edaa") as at the end of the second trading day following the EGM on 30/03/1443H (corresponding to 05/11/2021G), will have the right to subscribe to the New Shares according to their percentage of ownership in that date.

The Rights will be issued in the form of tradable securities (collectively the "Rights" and individually "Right") to the Company's shareholders, who are registered in the Company's shareholders register as at the close of trading on the date of the EGM to increase the capital ("Eligibility Date") 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 date of the EGM approving the capital increase on 30/03/1443H (corresponding to 05/11/2021G) (each Shareholder is referred to as "Registered Shareholder" and collectively as "Registered Shareholders"). Such Rights will be deposited into the Registered Shareholders' portfolios within two working days from the Eligibility Date in the amount of (0.5) Rights for each (1) share of the Company. Each Right grants its holder the right to subscribe to one New Share at the Offer Price.

All the Registered Shareholders and other investors ("New Investors"), who may trade the Rights and subscribed to the New Shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange ("Tadawul" or "Market"). The trading period and subscription period will commence from 10/04/1443H (corresponding to 15/11/2021G), provided that the trading period ends on 17/04/1443H (corresponding to 22/11/2021G) ("Trading Period"), while the subscription period will continue until the end of 20/04/1443H (corresponding to 25/11/2021G) ("Subscription Period"). It is important to note that the Trading Period and the Subscription Period will start on the same day while the Trading Period continues until the end of the sixth day of the period, and the Subscription Period continues until the end of the ninth day of the same period.

During the Trading Period, the Registered Shareholders will be able to trade the Rights by selling the acquired Rights or part thereof, or buying additional Rights through the Market. In addition, New Investors will be able to buy and sell the Rights during trading period through the Market.

The subscription to New Shares during the Subscription Period would be through one phase according to the following:

1. During this Period, all Registered Shareholders and New Investors will be allowed to subscribe for the New Shares.
2. The Registered Shareholder will be entitled to subscribe directly to the number of his / her shares or less than the number of his / her shares during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe to them by the end of the settlement period (two working days).
3. New Investors will be allowed to subscribe to the New Shares after the settlement of the Rights purchase process (two working days).
4. The subscription will be available electronically through investment portfolios in the trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker.

If any shares remain unsubscribed after the end of the Subscription Period ("Rump Shares"), they will be offered at no less than the Offer Price to a number of institutional investors ("Institutional Investors") (referred to as "Rump Offering"). Such Institutional Investors shall submit their offers for purchasing the

Rump Shares and the receipt of those offers shall commence at 10:00 AM on 25/04/1443H (corresponding to 30/11/2021G) and continue until 5:00 PM on 26/04/1443H (corresponding to 01/12/2021G) ("Rump Offering Period"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer until all of the Rump Shares have been allocated (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro rata basis among Institutional Investors that provided offers at the same price. The fractional shares shall be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offer Price) for the eligible persons, as per their entitlement on a pro rata basis no later than 12/05/1443H (corresponding to 16/12/2021G).

In the event that the Institutional Investors did not subscribe to all of the Rump Shares and fractional shares, then these shares shall be allocated to the Underwriter, who shall subscribe for such shares at the Offer Price (please refer to Section 13 "Details on Shares and Offering Terms and Condition").

Upon completion of the offering, the Company's capital will reach one billion and fifty million (1,050,000,000) Saudi Riyals, divided into one hundred and five million (105,000,000) ordinary shares. The net proceeds of the offering will be primarily utilized to enhance the solvency margin in order to meet the solvency requirements and to support the expansion in the Company's activities (Refer to Section 7 "Use of Proceeds"). The final allocation will be announced no later than 01/05/1443H (corresponding to 05/12/2021G) ("Allocation Date") (Refer to Section 13 "Details on Shares and Offering Terms and Condition").

The Substantial Shareholders of the Company who are holding 5% or more of the Company's capital are: Saudi Investment Bank (19.00%), Mediterranean and Gulf Insurance and Reinsurance Company B.S.C. (Medgulf Bahrain) (17.12%) and Abdullah Abunayyan Trading Company (9.99%) (please refer to sub-section 4.2 "Substantial Shareholders" of Section 4 "Overview of the Company and Nature of its Business"). The Company has one class of shares. No Shareholder shall have any preferential Rights. The New Shares will be fully paid in value and will be exactly equal to outstanding shares. Each share entitles its holder to one vote and each shareholder of the Company ("Shareholder") has the right to attend and vote at the Shareholders' General Assembly meetings ("General Assembly"). The Shareholders holding the New Shares will be entitled to any dividends declared by the Company from the start of Subscription and for any subsequent fiscal years, if any. (please refer to Section 2 "Risk Factors").

The Company listed eighty million (80,000,000) ordinary shares on Tadawul through an initial public Offering dated 28/03/1428H (corresponding to 16/04/2007G), and (25%) of the shares were Offered for public subscription. On 23/07/1434 H (corresponding to 02/06/2013G), the Extraordinary General Meeting of the Company's Shareholders was held, where the capital increase of the Company from eight hundred million (800,000,000) Saudi Riyals to one billion (1,000,000,000) Saudi Riyals through issuing bonus shares out of retained earnings was approved. On 02/01/1439H (corresponding to 22/09/2017G), the Extraordinary General Meeting of the Company's Shareholders was held the capital decrease of the Company from one billion (1,000,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through the cancellation of sixty million (60,000,000) shares was approved to reduce its accumulated losses. On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Meeting of the Company's Shareholders was held where the capital increase of the Company from four hundred million (400,000,000) Saudi Riyals to eight hundred million (800,000,000) Saudi Riyals through rights issue was approved. On 10/09/1442H (corresponding to 22/04/2021G), the Extraordinary General Meeting of the Company's Shareholders was held where the capital decrease of the Company from eight hundred million (800,000,000) Saudi Riyals to seven hundred million (700,000,000) Saudi Riyals through the cancellation of ten million (10,000,000) shares to offset its accumulated losses has been approved. On 28/03/1443H (corresponding to 03/11/2021G), the Extraordinary General Meeting of the Company was held where the capital increase of the Company has been approved to increase the capital from seven hundred million (700,000,000) Saudi Riyals to one billion and fifty million (1,050,000,000) Saudi Riyals through rights issue. Currently, the Company's Current Shares are traded on the Saudi Stock Exchange. The Company has filed an application with the Saudi Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia for registering and offering the New Shares. Another application has been submitted by the Company with Tadawul to accept the listing of the New Shares. This Prospectus has been approved as all the required documents have been submitted and all the requirements of the relevant authorities have been fulfilled. The trading of New Shares is expected to commence on Tadawul shortly after the final allocation of New Shares and refund of extra subscriptions (please refer to page (xi) "Key Dates and Subscription Procedures" of the Prospectus). Upon registering and listing of the New Shares, Saudi nationals; non-Saudi nationals holding valid residence permits in Saudi Arabia; GCC nationals, Saudi and GCC companies and funds and Qualified Foreign Financial Investors and Approved QFI Clients will be permitted to trade in the Shares pursuant to the CMA's Rules for Qualified Foreign Financial Institutions Investment in Listed Shares will be permitted to trade the New Shares. Furthermore, other categories of foreign investors are entitled to the economic benefits associated with the New Shares by concluding swap agreements with persons authorized by CMA (the "Licensed Person"), noting that the Licensed Person shall in such case be the registered legal owner of shares.

The "Important Notice" and Section 2 "Risk Factors" of this Prospectus together with the entirety of the Prospectus should be read carefully prior to making a decision to invest in the New Shares offered hereunder.

The offering of Rights under this Prospectus is contingent on the shareholder's approval to increase the share capital in accordance with the board's recommendation and the Company's obtaining regulatory approvals. An invitation was sent to hold an Extraordinary General Assembly Meeting (EGM) to increase the capital through a Rights Issue on 07/03/1443H (corresponding to 13/10/2021G). The Shareholders should note that if the shareholders' approval is not obtained to increase the capital through a Rights Issue, the Rights issue will automatically stop. In such case, this Prospectus shall be considered void and shareholders will be notified accordingly.

Financial Advisor,  
Lead Manager and  
Underwriter



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

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

This Prospectus was issued on 11/03/1443H (corresponding to 17/10/2021G).



**ALL YOUR INSURANCE NEEDS**



## Important Notice

This Prospectus (the "**Prospectus**") provides full details of information relating to the Company and the Rights Shares offered for subscription. In subscribing to the Rights Shares, investors shall be treated as applying on the basis of the information contained in this Prospectus, copies of which are available at the head office of the Company, the Lead Manager, or by visiting the company's website ([www.medgulf.com.sa](http://www.medgulf.com.sa)), CMA's website ([www.cma.org.sa](http://www.cma.org.sa)), or Financial Advisor's website ([www.alahlicapital.com](http://www.alahlicapital.com)).

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

The Company has appointed SNB Capital as a financial advisor ("**Financial Advisor**"), lead manager ("**Lead Manager**"), and Underwriter ("**Underwriter**") regarding the offering of Rights Shares to increase the Company's capital under this Prospectus.

This Prospectus includes information given in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA Pursuant to Resolution No. 3-123-2017 dated 04/09/1439H (corresponding to 27/12/2017G), amended by Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G) issued by CMA's board. The Members of the Board of Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA or Tadawul will not take any responsibility for the contents of this Prospectus, and will not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable studies and enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, substantial portions of the market and industry information referenced herein are derived from external sources. While none of the Company, its directors, Financial Advisor, or the Company's advisors, whose names appear on Page (vi) of this Prospectus ("**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of its Advisors have independently verified such information. Accordingly, no representations or assurances are made with respect to the accuracy or completeness of any of this information.

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

This Prospectus should not be regarded as a recommendation by the Company or any of its directors or its Advisors, to participate in the subscription process to the Right issue shares. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial condition, or particular investment needs of individuals wishing to invest in Rights Shares. Prior to making an investment decision, each recipient of this Prospectus shall obtain independent professional advice from a financial adviser licensed by CMA in relation to subscribing for the New Shares in order to assess the appropriateness of investment opportunity and information herein, with regard to the recipient's respective objectives, financial positions and needs.

All the Registered Shareholders and other public investors ("**New investors**") who may trade in the Rights and subscribe for the New Shares, will be able to trade and subscribe to Right issue shares on the Saudi Stock Exchange ("**Tadawul**" or "**Exchange**") during the trading period and subscription period which both will commence on 10/04/1443H (corresponding to 15/11/2021G), where the trading period will end on the sixth day on 17/04/1443H (corresponding to 22/11/2021G) ("**Trading Period**"), and the subscription period will continue until the end of the ninth day on 20/04/1443H (corresponding to 25/11/2021G) ("**Subscription Period**").

The Registered Shareholders will be allowed to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof or buying additional Rights through Tadawul. During trading period, the New Investors would also be allowed to buy and sell Rights through Tadawul.

The New shares will be subscribed during the Subscription Period through one phase according to the following:

- In this Period, all Registered Shareholders and New Investors will be allowed to subscribe for the New Shares.
- The Registered Shareholder will be entitled to subscribe directly to the number of his / her shares or less than the number of his / her shares during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe to them by the end of the settlement period (two working days).
- New Investors will be allowed to subscribe to the New Shares after the settlement of the Rights purchase process (two working days).
- The subscription will be available electronically through investment portfolios in the trading platforms and applications, through which the sale and purchase orders are entered, as well as through other channels and means provided by the broker.



If any shares remain unsubscribed ("**Rump Shares**"), they will be offered at a price no less than the Offer Price to a number of institutional investors ("**Institutional Investors**") (referred to as "**Rump Offering**"), provided that those Institutional Investors shall submit their offers to buy the Rump Shares. Receipt of those offers shall commence at 10:00 AM on 25/04/1443H (corresponding to 30/11/2021G) and continue until 5:00 PM the following day on 26/04/1443H (corresponding to 01/12/2021G) ("**Rump Offering Period**"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer until all of the Rump Shares have been allocated (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro rata basis among Institutional Investors that provided offers at the same price. The fractional shares shall be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offer Price) for the eligible persons, who failed to practice their right to subscribe, totally or partially, in addition to those holding fractional shares, as per their entitlement, no later than 12/05/1443H (corresponding to 16/12/2021G). In case Institutional Investors fails to subscribe to all Rump Shares and fractional shares, the remaining shares shall be allocated to the Underwriter, which will subscribe for at the Offer price (please refer Section 11 "**UNDERWRITING**" and Section 13 "**Details on Shares and Offering Terms and Condition**").

Convening the EGM's quorum requires the attendance of the shareholders representing at least (50%) of the Company's share capital. If such quorum is not met at the meeting, (1) the second meeting shall be held one hour after the period set for the first meeting is expired, provided that the invitation to convene the first meeting indicates the potential holding of this meeting or (2) the invitation to the second meeting shall be sent and the invitation to convene the general assembly shall be published in a daily newspaper distributed in the city where the Company's head office is located for at least ten (10) days before the date set for the meeting. The invitation shall include the meeting agenda, and shall be sent to all shareholders on the set date via registered letters only. A copy of the invitation and the agenda shall be sent to the Ministry of Commerce and the CMA during the period specified for publication. If the required quorum is not met in the second meeting, an invitation will be sent for a third meeting to be held in the same conditions mentioned above, and the third meeting shall be valid regardless of the number of shares represented therein, after the approval of the competent authority.

On 07/03/1443H (corresponding to 13/10/2021G), an invitation to convene the EGM was published to increase the Company's capital through rights shares, in accordance with the regulations issued by the Ministry of Commerce in this regard. It should be noted that in case the EGM approval is not obtained to increase the capital through rights issue, issuance of Rights Shares will be ceased, and this Prospectus will be immediately void, and the shareholders will be notified thereof.

The Prospectus shall be published and made available to the public at least 14 days prior to the Extraordinary General Meeting regarding the capital increase. The CMA's approval shall be deemed null and void, in case of non-approval by the Extraordinary General Assembly within six months from the CMA approval to list and offer the Rights Shares.

## Information on Sector and Market

The Information and data related to the Saudi economy, insurance sector and the market contained in this Prospectus, were obtained from various public sources. Although there is no reason to believe that this information lacks accuracy in its essence, the members of the Company's board of directors, shareholders and Advisors have not independently verified the validity of this information and data, and therefore no clear statement or confirmation can be given regarding the correctness and completeness of this information.

## Financial and Statistical Information

The Company's audited financial statements for the financial years ended on 31 December 2018G, 2019G and 2020G, in addition to the notes thereto, as prepared in accordance with International Financial Reporting Standards (IFRS).

The Company's financial statements for the financial year ended on December 31, 2018G, have been audited by Al Azem and Al Sudairy (Certified Public Accountants and Consultants – a member of Crowe International) and Al Bassam and Partners (Allied Accountants – PKF). The Company's financial statements for the financial year ended on December 31, 2019G, have been audited by Al Azem, Al Sudairy, Al Shaikh & Partners (Certified Public Accountants and Consultants – a member of Crowe International) and Associated Accountants (Houmod Al-Robian & Partner - Certified Accountants and Consultants). The Company's financial statements for the financial year ended on December 31, 2020G, have been audited by Al Azem, Al Sudairy, Al Shaikh & Partners (Certified Public Accountants and Consultants – a member of Crowe International) and Al Kharashi & Co. Certified Accountants and Auditors. All numbers indicated in this section are shown in thousands of Saudi Riyals unless otherwise stated, and percentages are rounded to one decimal point (except for percentages related to shares ownership).



## Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain assumptions based on the information of the Company as per its expertise in the market in addition to the publically available market information. 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 confirms that the information contained in this Prospectus has been prepared with due care.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can be identified by their use of forward-looking words such as "will", "may", "plans", "intends", "estimates", "believes", "expects", "anticipates", "should", "would be", or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events and are not a guarantee or confirmation of the Company's 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 by such forward-looking statements. The most important risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (Refer to Section 2 "**Risk Factors**"). Should any these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

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 Prospectus has been approved by the CMA and before listing its shares on Tadawul, the Company becomes aware that: (1) There has been a significant change in material matters contained in this Prospectus or, (2) additional important matters that should have been included in this Prospectus.

Except for the both aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events, or otherwise. As a result of the above, other risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not rely on forward-looking statements.



## Company's Directory

### Board Members

Table No. (1): Board Members

No.	Name*	Position	Nationality	Age	Membership status	Appointment date*	Representation	Shares		Percentage
								Direct	Indirect	
1	Rakan Abdullah Abunayyan	Chairman	Saudi	43	Non-independent/ Non-executive	08/04/2019G	Representing Abdullah Abunayyan Trading Company	0.004%	9.9%	9.995%
2	Raad Ghaith AlBarakati	Deputy Chairman	Saudi	50	Independent/ Non-executive	08/04/2019G	In person	-	-	-
3	Youssef Hamad Al-Yousfi	Member	Saudi	40	Independent/ Non-executive	08/04/2019G	In person	-	-	-
4	Mohamed Saad Bin Dawood	Member	Saudi	49	Independent/ Non-executive	08/04/2019G	In person	-	-	-
5	Mohamed Omar Aloyaidi	Member	Saudi	38	Independent/ Non-executive	08/04/2019G	In person	-	-	-
6	Souliman Abdulaziz Al-Obaid	Member	Saudi	47	Non-independent/ Non-executive	08/04/2019G	In person	-	-	-
7	Ahmed Abdullah Bin Ahmed	Member	Saudi	42	Independent/ Non-executive	08/04/2019G	In person	0.00625%	-	-

Source: The Company

\* The dates provided in this table are the dates of appointment of each of board member. On 18/07/1440H (corresponding to 25/03/2019G), the Ordinary General Assembly was held where the appointment of the board members was approved for the next session, which began on 08/04/2019G for a period of three years ending on 07/04/2022G.

\*\* The Company's Chairman of the board of directors/ Rakan Abdullah Abunayyan owns indirect shares of 9.9% as a result of his ownership of 7.95% in Abdullah Abunayyan Trading Company, which owns 9.99% of the company's shares.



## Address of Company and Representatives

### Address of Company and Authorized Representatives

Company address	
<p><b>The Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF)</b>  Futuro Tower  King Saud Street  P.O. Box 2302 Riyadh 11451  Kingdom of Saudi Arabia  Tel: +966 (11) 405 5550  Fax: +966 (11) 405 5588  Website: <a href="http://www.medgulf.com.sa">www.medgulf.com.sa</a>  E-mail: <a href="mailto:service@medgulf.com.sa">service@medgulf.com.sa</a></p>	
	
First Authorized Company Representative	Second Authorized Company Representative
<p><b>Rakan Abdullah Abunayyan</b>  Chairman of the Board of Directors  Address: Futuro Tower, King Saud Street, Riyadh  Tel: +966 (11) 477 9111  Mobile: +966 50 547 4441  Fax: +966 (11) 477 0863  Website: <a href="http://www.medgulf.com.sa">www.medgulf.com.sa</a>  E-mail: <a href="mailto:rakan-abunayyan@abunayyangroup.com">rakan-abunayyan@abunayyangroup.com</a></p>	<p><b>Goetz Kuras</b>  Chief Executive Officer (CEO)  Address: Futuro Tower, King Saud Street, Riyadh  Tel: +966 (11) 405 5550  Mobile: +966 53 902 0442  Fax: +966 (11) 405 5588  Website: <a href="http://www.medgulf.com.sa">www.medgulf.com.sa</a>  E-mail: <a href="mailto:goetz.kuras@medgulf.com.sa">goetz.kuras@medgulf.com.sa</a></p>
Stock Exchange	
<p><b>Saudi Stock Exchange (Tadawul)</b>  King Fahad Road, Al Ulaya 6897  Riyadh 12211-3388  Kingdom of Saudi Arabia  Tel: +966 (11) 920001919  Fax: +966 (11) 218 9133  Website: <a href="http://www.tadawul.com.sa">www.tadawul.com.sa</a>  E-mail: <a href="mailto:csc@tadawul.com.sa">csc@tadawul.com.sa</a></p>	
	





## Advisors and Auditors

### Financial Advisor, Lead Manager and Underwriter

#### SNB Capital

SNB Regional Building, Tower B, King Saud Road  
 P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia  
 Tel: +966 (11) 874 7159  
 Fax: +966 (11) 406 0049  
 Website: [www.alahlicapital.com](http://www.alahlicapital.com)  
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### Legal Advisor

#### Abdulaziz Alajlan & Partners Legal Advisors

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Abdulaziz Alajlan & Partners  
 in association with Baker & McKenzie Limited

### Auditor

(Of financial statements for the financial years ending on December 31st, 2018G, 2019G and 2020G)

#### Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants

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### Auditor

(Of financial statements for the financial year ending on December 31st, 2018G)

#### Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co.

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 P.O. Box 15651, Jeddah 21454, Kingdom of Saudi Arabia  
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### Auditor

(Of financial statements for the financial year ending on December 31st, 2019G)

#### Associated accountants (Homoud Al-Robian - Certified Accountants and Consultants)

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### Auditor

(of the financial statements for the financial year ending on December 31st, 2020G)

#### Al Kharashi & Co. Certified Accountants and Auditors

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Note: The above Advisors have provided their written consent to the publication of their names, addresses and logos in the Prospectus, and non of the abovementioned Advisors, or their subsidiaries, or their shareholders or their board of directors or any of their relatives, have any shareholding or interest of any kind in the Company or any of its associates as of the date of this Prospectus.





## Summary of the Offer

Prospective Investors should read the entire Prospectus before making a decision as to whether or not to trade or subscribe to the Rights Shares. In particular, they should take into account the "Important Notice" Section and Section 2 "Risk Factors" of this Prospectus. Below is the summary of the Offering:

Issuer's Name, Description, and Information on its Incorporation	<p>The Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) (the "Company" or "MEDGULF Saudi Arabia") was incorporated as a Saudi joint stock company pursuant to Council of Ministers 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 registered in Riyadh under Commercial Registration No. 1010231925 dated 08/04/1428H (corresponding to 26/04/2007G). The Company's Head Office is located in Riyadh - King Saud Street, Futuro Tower, P.O. Box 2302 Riyadh 11451, Kingdom of Saudi Arabia.</p> <p>The current share capital of the Company is seven hundred million (700,000,000) Saudi Riyals, divided into seventy million (70,000,000) ordinary shares, paid in full, with a nominal value of ten (10) Saudi Riyals per share.</p> <p>The Company listed eighty million (80,000,000) ordinary shares on Tadawul through an initial public offering dated 28/03/1428H (corresponding to 16/4/2007G), and (25%) of the shares were offered for public subscription. On 23/07/1434H (corresponding to 02/06/2013G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from eight hundred million (800,000,000) Saudi Riyals to one billion (1,000,000,000) Saudi Riyals through issuing bonus shares out of retained earnings. On 02/01/1439H (corresponding to 22/9/2017G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to decrease the Company's capital from one billion (1,000,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through the cancellation of sixty million (60,000,000) shares to offset its accumulated losses. On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from four hundred million (400,000,000) Saudi Riyals to eight hundred million (800,000,000) Saudi Riyals through rights issue. On 10/09/1442H (corresponding to 22/04/2021G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to decrease the Company's capital from eight hundred million (800,000,000) Saudi Riyals to seven hundred million (700,000,000) Saudi Riyals through the cancellation of ten million (10,000,000) shares to reduce its accumulated losses. On 28/03/1443H (corresponding to 03/11/2021G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from seven hundred million (700,000,000) Saudi Riyals to one billion and fifty million (1,050,000,000) Saudi Riyals through rights issue. As of the date of this Prospectus, the number of listed shares totalled seventy million (70,000,000) shares.</p>														
Summary of the Issuer's Business Activities Based on its Articles of Association	<p>The Company's business activities in cooperative insurance and reinsurance activities which comprises of general insurance, health insurance, protection and savings insurance. It may also exercise all necessary business activities to achieve its purposes. The Company shall carry out its own business activities in accordance to the Cooperative Insurance Companies Control Law and its Implemented Regulations, together with all laws and rules applicable in the Kingdom of Saudi Arabia, and after obtaining the necessary licenses from the relevant authorities, if any.</p>														
Substantial Shareholders	<p>Shareholders owning 5% or more of the Company's share capital. As at the date of the Prospectus, the table below sets out the shareholding of Substantial Shareholders before offering:</p> <p><b>Table No. (2): Substantial Shareholders</b></p> <table><tr><th rowspan="2">Name</th><th colspan="2">Prior to Offering</th></tr><tr><th>No. of Shares (in thousand)</th><th>Percentage</th></tr><tr><td>The Saudi Investment Bank</td><td>13,300</td><td>19.00%</td></tr><tr><td>Medgulf Bahrain</td><td>11,984</td><td>17.12%</td></tr><tr><td>Abunayyan Trading Company</td><td>6,993</td><td>9.99%</td></tr></table> <p>Source: Tadawul and the Company</p>	Name	Prior to Offering		No. of Shares (in thousand)	Percentage	The Saudi Investment Bank	13,300	19.00%	Medgulf Bahrain	11,984	17.12%	Abunayyan Trading Company	6,993	9.99%
Name	Prior to Offering														
	No. of Shares (in thousand)	Percentage													
The Saudi Investment Bank	13,300	19.00%													
Medgulf Bahrain	11,984	17.12%													
Abunayyan Trading Company	6,993	9.99%													
The Public	<p>According to the CMA rules and regulations, the Public means any person other than the following:</p> <ol style="list-style-type: none"><li>1- Affiliates of the Issuer.</li><li>2- Substantial shareholders in the Issuer.</li><li>3- Directors and senior executives in the Company.</li><li>4- Directors and senior executives of the affiliates of the Issuer.</li><li>5- Directors and senior executives of the substantial shareholders of the Issuer.</li><li>6- Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above.</li><li>7- Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above.</li></ol> <p>Persons who act together in agreement and jointly own (5%) or more of the share class that will be listed.</p>														
Purpose of the Offering	<p>Enhancing the Company's solvency margin and supporting its future activity.</p>														



	Statement	Amount (in SAR Million)	Percentage of Total
Total Estimated Proceeds, Breakdown Analysis and Description of its Potential Use	Offering expenses	7	1.6%
	Increasing the statutory deposit with respect to the requirements of the Saudi Central Bank	36	8.6%
	Expected investments of the Company	377	89.8%
	<b>The total proceeds of the offering</b>	<b>420</b>	<b>100%</b>
	Total Offering proceeds of the Rights Issue are estimated to reach four hundred and twenty million (420,000,000) Saudi Riyals, before deducting the expected offering expenses of seven million fourteen thousand (7,014,000) Saudi Riyals. Where an aggregate amount of up to three hundred and seventy-six million nine hundred and eighty-six thousand (376,986,000) Saudi Riyals, after deducting the offering expenses and the statutory deposit, will be invested in a short-term Murabaha deals and medium to long-term investments, (please refer to Section 7 "Use of Proceeds").		
Offering Costs	The Company shall bear all expenses associated with the offering for Rights Shares, which are estimated at approximately seven million and fourteen thousand (7,014,000) Saudi Riyals. Such expenses will be deducted from total Offering Proceeds amounting to four hundred and twenty million (420,000,000) Saudi Riyals. Such amounts include the fees of: the Financial Advisor, Lead Manager, Underwriter, Legal Advisor, Auditors, marketing, printing and distribution, as well as other related expenses, (please refer to Section 7 "Use of Proceeds").		
Net Proceeds	Four hundred and twelve million nine hundred and eighty-six thousand (412,986,000) Saudi Riyals (please refer to Section 7 "Use of Proceeds").		
Total Proceeds as Previously Obtained from the Previous Rights Issue, Breakdown Analysis and Description of its Uses	On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Meeting of the Company's shareholders was held and has approved to increase the capital from four hundred million (SAR 400,000,000) Saudi Riyals to eight hundred million (800,000,000) Saudi Riyals through the issuance of rights issue. The total proceeds from the previous subscription amounted to four hundred million (400,000,000) Saudi Riyals, and it was used as follows:		
	Subscription Expenses	Declared Amount (in SAR Million)	Actual use (in SAR Million)
	Offering expenses	10	10
	Investments in Term Deposits	312	312
	Investments in bonds and long-term investments	78	78
	<b>Total proceeds of the offering</b>	<b>400</b>	<b>400</b>
Company's Capital Prior to the Offering	Seven hundred million (700,000,000) Saudi Riyals.		
Total Number of Existing Issued Shares Prior to the Offering	Seventy million (70,000,000) ordinary shares.		
Company's Capital Post the offering	One billion and fifty million (1,050,000,000) Saudi Riyals		
Total number of Issued Shares Post to the Offering	One hundred and five million (105,000,000) ordinary shares		
Nominal Value Per Share	SAR 10 per share		
Nature of the Offering	Increasing the Company's capital by issuing Rights Shares.		
Total Number of Rights Shares Offered for Subscription	Thirty-five million (35,000,000) ordinary shares		
Percentage of Rights Shares Offered to the Capital	50%		
New Shares	Thirty-five million (35,000,000) ordinary shares, will be issued as a result of the increase of the Company's capital		
Offering Price	Twelve (12) Saudi Riyals per share		
Premium	Two (2) Saudi Riyals per share		
Total Offering Value	Four hundred and twenty million (420,000,000) Saudi Riyals.		
Adjusted Price	The Company's share price in the Saudi Stock Exchange (Tadawul) has been adjusted to 19.54 Saudi Riyals per share, prior to the trading day following the day on which the Extraordinary General Meeting on capital increase is held. This represents a decrease in the Share Price by 3.76 Saudi Riyals per share.		
Number Underwritten Shares	Thirty-five million (35,000,000) ordinary shares representing 100% of Total Offering.		
Total Value of Underwritten Shares	Four hundred and twenty million (420,000,000) Saudi Riyals.		



Categories of Targeted Investors	All shareholders of Rights Issue, whether Registered Shareholders or New Shareholders. (" <b>Eligible persons</b> ").
Registered Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and are registered in the Company's Shareholders Register held with the Depository Center at the end of the second trading day following the Extraordinary General Assembly on capital increase dated 28/03/1443H (corresponding to 03/11/2021G)
New Shareholders	In general, individual and institutional investors, except for Registered Shareholders, who purchased the Rights issue during the trading period.
The Rights	Rights are tradable securities that entitle its holders the right to subscribe to New Shares upon approval of the capital increase. It is an earned right for all Registered Shareholders and each Right entitles its holder to subscribe to one share of the New Shares at the Offer Price. Rights will be deposited after the Extraordinary General Assembly for the capital increase has convened. These rights will appear in the Registered Shareholders' accounts under a new pre-emptive right-related symbol. The Registered Shareholders will be informed of the deposit of the Rights in their portfolios.
Number of Rights Issued	Thirty-five million (35,000,000) Rights
Subscription Eligibility Factor	0.5 right per each (1) existing share owned by the Registered Shareholders. This factor is the result of dividing the number of New Shares by the number of the current shares of the Company.
Eligibility Date	The end of trading on the day of the Extraordinary General Meeting on the capital increase, on 28/03/1443H (corresponding to 03/11/2021G).
Listing and trading of the Rights	Tadawul shall develop the required mechanisms for trading the Rights Issue within its systems. A separate symbol will be given to the Company's Rights Issue, independent from the symbol of the Company's Shares on the Tadawul screen. During the Trading Period, the Registered Shareholders shall have several options including selling the Rights, or a part thereof, on Tadawul, purchasing additional Rights through Tadawul or refraining from taking any action in respect of the Rights whether by selling or purchasing additional Rights. During the Trading Period, New Investors will be entitled to purchase Rights through Tadawul, sell them or a part thereof or take no action in respect of the Rights purchased. The Tadawul system will cancel the Company's Rights Issue symbol on the Tadawul screen following the end of the Trading Period. Accordingly, the trading of Rights will end with by the end of the Trading Period.
How to apply	Eligible Persons wishing to subscribe for the New Shares shall submit the Subscription Application Forms online via the brokers' websites and platforms which provide such service for subscribers or by any other means provided by brokers.
Terms of Subscription for the Rights Shares	Eligible persons wishing to subscribe to the New Shares must fulfil the relevant subscription conditions. To view the terms, conditions and instructions for the subscription (please refer to Section 13 " <b>Details on Shares and Offering Terms and Condition</b> ").
Method of Allocation and Refund	Shares will be allocated to each investor based on the number of Rights that are properly and fully exercised. As for fractional shares (if any), they will be collected and offered to Institutional Investors during the Rump Offering Period. The Total Offer Price of the Rump Shares shall be paid to the Company, and all remaining proceeds from the sale of Rump Shares and fractional shares (in excess of the Offer Price) shall be distributed to the Eligible Persons no later than 01/05/1443H (corresponding to 05/12/2021G), (please refer to Section 13 " <b>Details on Shares and Offering Terms and Condition</b> "). Oversubscribed amounts, if any, will be refunded to the subscribers without any charge or deductions by the Lead Manager.
Trading Period	The Trading Period will start on 10/04/1443H (corresponding to 15/11/2021G), and it will continue until the end of day on 17/04/1443H (corresponding to 22/11/2021G). All Rights holders, whether Registered or Unregistered Shareholders, may trade in the Rights.
Subscription Period	The Subscription Period will start on 10/04/1443H (corresponding to 15/11/2021G), and it will continue until the end of the day on 20/04/1443H (corresponding to 25/11/2021G). All Rights holders, whether Registered or Unregistered Shareholders, may exercise their rights to subscribe for the New Shares.
The Required Actions to Increase Capital and List New Shares	<ul style="list-style-type: none"> <li>■ Appointment of SNB Capital as Financial Advisor, Lead Manager and Underwriter for the capital increase.</li> <li>■ Appointment of Abdulaziz Alajlan &amp; Partners Advocates &amp; Legal Consultants as the Legal Advisor for the capital increase.</li> <li>■ Apply to the Saudi Central Bank to obtain a no objection to increase the Company's share capital.</li> <li>■ Apply to the CMA to obtain its approval to increase the Company's share capital from seven hundred million Riyals(700,000,000) Saudi Riyals to one billion and fifty million Riyals(1,050,000,000) Saudi Riyals, by issuing and offering thirty-five million (35,000,000) Rights. The CMA's approval will be announced through its website once obtained.</li> <li>■ Apply to the market to obtain its approval to increase the Company's share capital from seven hundred million Riyals(700,000,000) Saudi Riyals to one billion and fifty million Riyals(1,050,000,000) Saudi Riyals by issuing and offering thirty-five million (35,000,000) Rights, and this approval will be announced on the CMA's website when it is obtained.</li> <li>■ Holding the Extraordinary General Assembly of the Company's shareholders to vote on the share capital increase.</li> <li>■ Obtaining the approval of the Extraordinary General Assembly on the share capital increase.</li> </ul>
Entitlement to Dividends	The New Shares offered for subscription will entitle their holders to receive any dividends declared by the Company as of the commencement of the Subscription Period and subsequent financial years.
Voting Rights	Each shareholder is entitled to vote for each share held in the Ordinary and Extraordinary General Assembly Meetings and the cumulative votes shall be used when electing the Board of Directors. The General Assembly meetings may be convened, and shareholders may be involved in their deliberations and vote on their resolutions through advanced technological means, in accordance with the controls imposed by the relevant authority.
Restrictions on Shares	There are no restrictions on the trading of the Company's shares except for the regulatory restrictions imposed on the shares listed in general.



<b>Restrictions on Rights Issue</b>	There are no restrictions on Shareholders subscribing for new Rights Shares.
<b>Previously Listed Shares</b>	<p>The Company listed eighty million (80,000,000) ordinary shares on Tadawul through an initial public offering dated 28/03/1428H (corresponding to 16/4/2007G), and (25%) of the shares were offered for public subscription.</p> <p>On 23/07/1434H (corresponding to 02/06/2013G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from eight hundred million (800,000,000) Saudi Riyals to one billion (1,000,000,000) Saudi Riyals through issuing bonus shares out of retained earnings.</p> <p>On 02/01/1439H (corresponding to 22/09/2017G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to decrease the Company's capital from one billion (1,000,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through the cancellation of sixty million (60,000,000) shares to offset its accumulated losses. On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from four hundred million (400,000,000) Saudi Riyals to eight hundred million (800,000,000) Saudi Riyals through rights issue.</p>
<b>Eligibility Date</b>	At the close of the trading day on the day of the EGM on capital increase on 28/03/1443H (corresponding to 03/11/2021G).
<b>Allocation Date</b>	Allocation of shares will be announced no later than 01/05/1443H (corresponding to 05/12/2021G).
<b>Rump Shares</b>	Remaining shares, if any, which were not subscribed for during the Subscription Period, as well as fractional shares.
<b>Rump Offering</b>	In the event that unsubscribed shares remain after the end of the Subscription Period (Rump Shares), those shares will be offered to a number of institutional investors (Investment Institutions). Such Investment Institutions submit their offers to purchase the remaining shares, and these offers will be received starting from 10:00 AM on 25/04/1443H (corresponding to 30/11/2021G) until 5:00 PM the next day 26/04/1443H (corresponding to 01/12/2021G) (Rump Offering Period). The remaining shares will be allocated to the Investment Institutions with the highest offer and then the lowest and lowest (provided that the offer does not fall below the Offer Price). Rump shares will be allocated proportionally to the Investment Institutions that submit the same offer. As for the fractional shares, they will be added to the remaining shares and treated similarly.
<b>Trading Price of the Right</b>	The price at which the Right is traded, noting that such price is set through the Tadawul supply and demand mechanism. Hence, it may be different from the indicative value of the Right.
<b>Indicative Value of the Right</b>	<p>The indicative value of a Right reflects the difference between the market value of the Company's share during the Trading Period and the Offer Price.</p> <p>Tadawul will continuously calculate and publish the indicative value of a Right during the Trading Period on its website with a 5-minute delay. The market information providers will also publish this information, which will allow investors to be informed of the indicative value of a Right when entering orders.</p>
<b>Adjusted Price</b>	The Company's share price in the Saudi Stock Exchange (Tadawul) has been adjusted to 19.54 Saudi Riyals per share, prior to the trading day following the day of the EGM on capital increase. This represents a decrease in the share price by 3.76 Saudi Riyals per share.
<b>Exercising Subscription to the Rights</b>	<p>Eligible Persons subscribing for the New Rights Shares through electronic subscription via financial brokers' websites and platforms that provide such services for subscribers or by any other means provided by the brokers. Eligible Persons may exercise their Rights as follows:</p> <ol style="list-style-type: none"> <li>During the Subscription Period, Registered Shareholders may exercise the Rights granted to them and any additional Rights purchased thereby during the Trading Period. They will also be entitled to take no action in respect of the Rights they hold.</li> <li>During the Subscription Period, Unregistered Shareholders may exercise the Rights purchased thereby during the Trading Period. They will also be entitled to take no action in respect of the Rights they hold.</li> </ol> <p>In the event that Rights have not been exercised by Eligible Persons upon the end of the Subscription Period, the Rump Shares resulting from the unexercised Rights will be offered in the Rump Offering Period.</p>
<b>Payment of Compensation Amounts (if any)</b>	Cash compensation amounts will be paid to Eligible Persons who did not subscribe, wholly or partially, for the New Shares, as well as to the holders of fractional shares no later than 12/05/1443H (corresponding to 16/12/2021G) (please refer to Section 13 "Details on Shares and Offering Terms and Condition"). The compensation amounts represent the remaining proceeds from sale of Rump Shares and fractional shares (in excess of Offer Price) resulting from the Rump Offering.
<b>Trading of New Shares</b>	Trading of New Shares is expected to commence on " <b>Tadawul</b> " after completion of all relevant regulatory procedures related to allocation and listing of shares.
<b>Risk Factors</b>	There are certain risks associated with investing in this Offering, which can be generally categorized into: (1) risks related to the Company. (2) risks related to the market and sector. And (3) risks related to the Shares. (Please refer to Section 2 " <b>Risk Factors</b> ").

Note: The Section "**Important Notice**" as well as Section 2 "**Risk Factors**" of this Prospectus should be read carefully prior to making a decision to invest in the Rights Shares under this Prospectus.



## Key Dates and Subscription Procedures

**Table No. (3): Expected Timetable of Rights Issue**

Event	Date
The convening of the extraordinary general assembly that includes the approval of the capital increase and the determination of the eligibility date and the eligible shareholders, noting that the eligible shareholders are the shareholders registered in the company's register, and they will not be registered until two days after the date of the meeting.	28/03/1443H (corresponding to 03/11/2021G)
Trading Period	The Trading Period starts from 10/04/1443H (corresponding to 15/11/2021G) and continues until the will end of the trading day on 17/04/1443H (corresponding to 22/11/2021G). During this period, all Rights holders, whether registered investors or new investors, may carry out trading in Rights.
Subscription Period	The Subscription period starts from 10/04/1443H (corresponding to 15/11/2021G), provided that the Subscription Period ends on 20/04/1443H (corresponding to 25/11/2021G). During this period, all rights holders, whether they are registered investors or new investors, may exercise their right to subscribe to the New Shares.
End of Subscription Period	20/04/1443H (corresponding to 25/11/2021G). Receipt of subscription applications ends with the end of the day 20/04/1443H (corresponding to 25/11/2021G).
Rump Offering Period	From 10:00 AM on 25/04/1443H (corresponding to 30/11/2021G) until the following day at 5:00 PM on 26/04/1443H (corresponding to 01/12/2021G).
Notification of Final Allocation	01/05/1443H (corresponding to 05/12/2021G)
Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions.	Compensations amounts, if any, will be paid no later than 12/05/1443H (corresponding to 16/12/2021G).
Expected date of commencement of trading in New Shares	Trading in Offer Shares shall commence upon the completion of all related regulatory procedures. Trading will be announced later through local newspapers and the Tadawul website (www.tadawul.com.sa).

Note: All of the above-mentioned dates are approximate. Actual dates will be communicated on the website of Tadawul (www.tadawul.com.sa).

**Table No. (4): Key Announcement Dates**

	Announcement by	Announcement Date
Announcement regarding the EGM on capital increase	The Company	Wednesday 07/03/2021H (corresponding to 13/10/2021G)
Announcement regarding the results of the EGM on capital Increase	The Company	29/03/1443H (corresponding to 04/11/2021G)
Announcement regarding the change in the Company's Share Price and deposit of Rights, and the announcement of indicative value of the Rights	Tadawul	29/03/1443H (corresponding to 04/11/2021G)
Announcement regarding adding the Rights of the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf)	Edaa	10/04/1443H (corresponding to 15/11/2021G)
Announcement on the start of the Subscription Period and Trading Period	The Company	29/03/1443H (corresponding to 04/11/2021G)
Reminder announcement regarding the commencement of Trading Period and Subscription Period	The Company	10/04/1443H (corresponding to 15/11/2021G)
Reminder announcement regarding the last day for trading Rights and noting the importance of selling Rights, for those who do not wish to subscribe to their own Rights	Tadawul	17/04/1443H (corresponding to 22/11/2021G)
Announcement regarding the end of the Subscription Period	The Company	23/04/1443H (corresponding to 28/11/2021G)
Announcement regarding: 1- Subscription results 2- Details of the sale of Unsubscribed Shares (if any) and commencement of the Rump Offering	The Company	23/04/1443H (corresponding to 28/11/2021G)
Announcement regarding the results of the Rump Offering and notification of the final allocation	The Company	01/05/1443H (corresponding to 05/12/2021G)
Announcement regarding the deposit of New Shares in investors' portfolios	Edaa	05/05/1443H (corresponding to 09/12/2021G)
Announcement regarding the distribution of compensation amounts (if any) to Eligible Persons	The Company	12/05/1443H (corresponding to 16/12/2021G)

Note: All of the above-mentioned dates are indicative. Actual dates will be communicated on the Tadawul's website. (www.tadawul.com.sa). In addition, the date of depositing the New Shares in the investors' portfolios will be determined in coordination with the Securities Depository Center Company (Edaa).



It should also be noted that in the event that an announcement related to the offering is published in a local newspaper after the Prospectus has been published, the announcement will include:

- 1- The issuer's name and its commercial registration number.
- 2- The securities, their value, type, and class covered by the securities registration and offering application.
- 3- Websites where the public can obtain the Prospectus.
- 4- The date of publication of the Prospectus.
- 5- A statement that the announcement is for information purposes only and does not constitute an invitation or an offer to own the securities by purchasing or subscribing thereto.
- 6- Name of the Lead Manager, Underwriters, Financial Advisors and Legal Advisor.
- 7- A disclaimer as follows: "do not assume any responsibility on the contents of this announcement, nor do they give any representations regarding its accuracy or completeness, and they expressly disclaim any responsibility for any loss they have suffered as a result of what is contained in this announcement or from reliance on any part thereof"

## How to apply

Subscribing for the New Shares is limited to Eligible Persons, whether Registered Shareholders or New Investors. In the event that Eligible Persons do not subscribe for the Rights, the Unsubscribed Shares shall be offered to Institutional Investors during the Rump Offering Period.

Eligible Persons wishing to subscribe for the New Shares should submit the subscription application forms via the means and services provided by the broker to investors, under two main conditions:

- Eligible Persons should have a bank account with the brokers offering such services.
- The data of Eligible Persons should be up to date, and there should have been no changes in their personal information or data (including by addition or removal of a family member) since their subscription in a recent offering, unless the brokers were notified of and approved these amendments.

Subscription Applications are submitted through portfolios in trading platforms and applications, through which sale and purchase orders are entered. In addition, it is possible to subscribe through any other means provided by the broker and the custodian of shares. 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 subscription terms or conditions. Upon submission, the Subscription Application Form may not be amended or withdrawn. Instead, it shall represent a legally binding contract between the Company and the Subscriber (please refer to Section 13 "Details on Shares and Offering Terms and Condition" of this Prospectus).

## Q&A related to the New Rights Issue Mechanism

### What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for New Shares upon approval of capital increase. They are acquired rights for all Shareholders who own shares at the date of the EGM for capital increase, and who are registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. Each Right grants its holder the right to subscribe for one New Share at the Offer Price.

### Who is granted the Rights?

The Rights shall be granted to Shareholders registered in the Company's Register as of the close of the second trading day of the EGM to increase the capital.

### 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 shareholders registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. The New Rights appear in their portfolios under a new code for the Rights. These Rights cannot be traded or subscribed by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

### How are Registered Shareholders notified of the Rights being deposited in their portfolios?

The Registered Shareholders are notified through an announcement on the Tadawul website and through Tadawulati Service provided by the Depository Center and SMS's sent through intermediaries/brokers.





### **How many Rights can be acquired by a Registered Shareholder?**

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

### **What is the Rights Issue eligibility factor?**

is the means by which the Registered Shareholder can determine the Rights it is entitled to in relation to its shareholding under the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. It is calculated by dividing the number of New Shares by the number of the Company's existing Shares. It is the for example, if a company has issued one thousand (1,000) shares and increased its capital by offering two hundred (200) New Shares, its number of shares becomes one thousand and two hundred (1,200), making the ratio 1 to 5 (i.e. one share for every five shares).

### **Will these Rights be tradable and will they be added to the Shareholders portfolios under the same name/ symbol of the Company's shares. or will they be assigned a new name?**

The Rights will be deposited in the investors' portfolios under the name of the original share, and by adding the word "Priority Rights", they will be deposited in a new symbol for these rights.

### **What is the value of the Right upon commencement of trading?**

The opening price of the Right is the difference between the closing price of the share on the day preceding the Rights listing and the Offer Price (the indicative value of the Right). For example (using hypothetical prices), if the closing price of a share on the preceding day is twenty-five (25) Saudi Riyals and the Offer Price is ten (10) Saudi Riyals, the opening price of the Rights upon the commencement of trading will be fifteen (15) Saudi Riyals (the difference between the two mentioned prices).

### **Who is the Registered Shareholder?**

A shareholder who appears in the Company's shareholder 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 through Tadawul during the Trading Period.

### **Is it possible for a registered shareholder to lose his/her eligibility to subscribe even if he has the right to attend the EGM and vote on raising the capital through a rights issue?**

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

### **How does the Subscription take place?**

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

### **Can an Eligible Person subscribe to more shares than the Rights owned by him/her?**

An Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

### **Is it possible to subscribe more than once through more than one Receiving Agent?**

Yes, provided that the number of Shares subscribed for should not exceed the number of Rights owned at the end of the Trading Period. Any excess in the shares subscribed over the number of Rights owned at the end of the Trading Period will result in the cancellation of the Subscription Application.

### **If the 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 in which the shares of the company connected to the rights are deposited. For example, if a shareholder holds one thousand (1000) shares in the company (eight hundred (800) shares in portfolio (a) and two hundred (200) shares in portfolio (b)), then the total rights (amounting to one thousand (1000) rights, as each share is eligible for a right) will be deposited. Therefore, eight hundred (800) rights will be deposited in portfolio (a) and two hundred (200) rights will be deposited in portfolio (b).

### **In case of subscription through more than one portfolio, where will the New Shares be deposited after allocation?**

Shares will be deposited to the investment portfolio given under the first Subscription Application Form.



**Are share certificate holders allowed to subscribe and trade?**

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

**If the New Shares are subscribed and the Rights are sold thereafter, what would happen in such case?**

If a Registered Shareholder subscribed and then sold the Rights without purchasing a number of Rights equal to the number of the Rights that were subscribed before the end of the Trading Period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. The Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.

**Are additional Rights purchasers entitled to trade them once again?**

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

**Is it possible to sell a part of these Rights?**

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

**When can a Shareholder subscribe for the Rights it purchased during the Trading Period?**

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

**Can the Eligible Person sell the Right after expiry of the Trading Period?**

No. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the Rights Shares or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio.

**What happens to the Rights that are unsold or unsubscribed for during 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 through an offering to be organized by the Lead Manager. The amount of compensation (if any) to the Rights holder will be calculated after deducting the subscription value and any other expenses according to the criteria defined by this Prospectus. The investor may not receive any consideration if the sale occurs during the Rump Offering Period at the Offer Price.

**Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?**

A shareholder registered in the Company's Shareholders Register at the Depository Center after the end of the trading session, on the date of the EGM, shall have the right to attend the EGM and vote on increasing the Issuer's share capital through a Rights Issue.

**When is the share price adjusted as a result of increasing the Issuer's share capital through a Rights Issue?**

The share price is adjusted by Tadawul before the start of trading on the day, following the EGM.

**If an investor buys securities on the date of the EGM, will he/she be eligible for the Rights resulting from the increase of the Issuer's share capital?**

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

**If an investor has more than one portfolio with more than one broker, how will their Rights be calculated?**

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

**What are the Trading and subscription Periods?**

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

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

No.



### **Can investors, who are not Registered Shareholders, subscribe for the Rights Shares?**

Yes. Investors can subscribe for the Rights Shares upon full purchase of Rights through Tadawul during the Trading Period.

### **Will there be any other fees for the trading in Rights?**

The same commissions on buying and selling transactions for stocks will be applied, but without a minimum commission amount.

### **Additional assistance:**

In case of any inquiries, please contact the Company at the e-mail (service@medgulf.com.sa). For legal reasons, the company will only be able to provide the information contained herein and will not be able to advise on the merits of issuing rights or even provide financial, tax, legal or investment advice.

For more information on the terms, conditions and instructions for the subscription, please refer to Section (13) "Details on Shares and Offering Terms and Condition" and other information contained herein.

## **Summary of Key Information**

This summary is a brief overview of the information contained in this Prospectus but does not contain all of the information that may be in the interest to Subscribers. Recipients of this Prospectus should read the entire Prospectus before making a decision as to whether or not to invest in the New Shares offered. All terms contained in this Prospectus have been defined in Section 1 "Terms and Definitions" of this Prospectus as well as in other sections.

## **Company Overview**

### **History and Incorporation**

The Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) (the "Company" or "MEDGULF Saudi Arabia") was incorporated as a Saudi joint stock company pursuant to Council of Ministers Resolution No. (233) dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. (M/60) dated 18/9/1427H (corresponding to 11/10/2006G), and registered in Riyadh under Commercial Registration No. 1010231925 dated 08/4/1428H (corresponding to 26/4/2007G). The Company's Head Office is located in Riyadh - King Saud Street, Futuro Tower, P.O. Box 2302 Riyadh 11451, Saudi Arabia.

A SAMA license no. (TMN/3/20079) was issued to the Company on 29/8/1428H (corresponding to 11/9/2007G) granting the ability to engage in the insurance and reinsurance business, which includes the following fields: (1) general insurance, (2) health insurance, and (3) protection and savings insurance. The Company operates pursuant to the Cooperative Insurance Companies Control Law and its implementing regulations, in addition to other laws applicable in the Kingdom of Saudi Arabia under the supervision of the Saudi Central Bank.

The current share capital of the Company is seven hundred million (700,000,000) Saudi Riyals, divided into seventy million (70,000,000) ordinary shares, paid in full, with a nominal value of ten (10) Saudi Riyals (10) per share.

MEDGULF Saudi Arabia is one of the biggest companies in the Kingdom of Saudi Arabia licensed to offer cooperative insurance services. It began operating in Saudi Arabia in the second half of 1995G under an exclusive agency agreement between MEDGULF Bahrain and Samia Corporation. In 2007G, the Company was independently incorporated in the Kingdom of Saudi Arabia to proudly serve more than a million beneficiaries all over the Kingdom of Saudi Arabia. It is a listed company on Saudi Stock Exchange (Tadawul).

### **Capital**

The current share capital of the Company is seven hundred million (700,000,000) Saudi Riyals, divided into seventy million (70,000,000) ordinary shares, paid in full, with a nominal value of ten (10) Saudi Riyals per share.

### **Major adjustments to the Company's share capital**

The Company listed eighty million (80,000,000) ordinary shares on Tadawul through an initial public offering dated 28/3/1428H (corresponding to 16/4/2007G), and (25%) of the shares were offered for public subscription.

On 23/7/1434H (corresponding to 02/6/2013G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from eight hundred million (800,000,000) Saudi Riyals to one billion (1,000,000,000) Saudi Riyals through issuing bonus shares out of retained earnings.

On 02/1/1439H (corresponding to 22/9/2017G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to decrease the Company's capital from one billion (1,000,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through the cancellation of sixty million (60,000,000) shares to extinguish accumulated losses.



On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from four hundred million (400,000,000) Saudi Riyals to eight hundred million (800,000,000) Saudi Riyals through rights issue.

On 10/09/1442H (corresponding to 22/04/2021G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to decrease the Company's capital from eight hundred million (800,000,000) Saudi Riyals to seven hundred million (700,000,000) Saudi Riyals through the cancellation of ten million (10,000,000) shares to extinguish accumulated losses.

On 28/03/1443H (corresponding to 03/11/2021G), the Extraordinary General Meeting of the Company's Shareholders was held, where it was approved to increase the Company's capital from seven hundred million (700,000,000) Saudi Riyals to one billion and fifty million (1,050,000,000) Saudi Riyals through rights issue.

## Substantial Shareholders

Substantial Shareholders of the Company, who own 5% or more of the Company's share capital, are Saudi Investment Bank, Medgulf Bahrain and Abdullah Abunayyan Trading Company. The table below sets out shareholding of Substantial Shareholders as of the date of this Prospectus:

**Table No. (5): Substantial Shareholders' shareholding in the Company**

	Shareholders	Number of shares	Shareholding percentage in the Company
1	Saudi Investment Bank	13,300,000	19.00%
2	Medgulf Bahrain	11,984,000	17.12%
3	Abdullah Abunayyan Trading Company	6,993,000	9.99%

Source: Tadawul

## Summary of Company's activities and products

The Company offers a broad range of various insurance products divided into three lines of businesses: (1) health insurance, (2) motor insurance, and (3) general insurance. The Company operates under the Cooperative Insurance Companies Control Law and its implementing regulations, in addition to other laws and directives applicable in the Kingdom of Saudi Arabia under SAMA supervision. The Company has obtained SAMA's final approvals for all of the products it offers.

### Health Insurance

Health insurance is the Company's largest line of business, representing 72% of the gross insurance premiums as at 31/12/2020G.

Under this type of insurance, the health costs for individuals and groups, medicines and medical needs are covered in addition to management of health programs. It is worth noting that providing health insurance for private sector employees and their families is mandatory for all private sector establishments in the Kingdom.

### Motor Insurance

The motor insurance line of business accounts for 17% of gross insurance premiums as at 31/12/2020G.

Motor insurance covers vehicle-related losses, physical injuries or deaths resulting from road traffic accidents, in addition to compensation for physical damages arising from fixing or replacing vehicles. The Motor Insurance includes vehicle insurance against third parties, which is mandatory, and comprehensive vehicle insurance, which is optional.

### Other Insurance Products

This sector represents 11% of the gross insurance premiums as at 31/12/2020G. It involves a number of insurance segments: complex risks in engineering, aviation and industrial sectors, as well as daily risks such as property, medical and life insurance.



## Company's Vision, Mission, Strategy, and Values

### Company Vision

To be the most reliable Saudi insurance company.

### Company Mission

To provide its clients with innovative, reliable, and flexible insurance solutions, supported by a highly- qualified customer service.

### Company Strategy

- The Company's strategy is aimed at:
  - Implementing a plan to improve and raise the Company's efficiency in the subscription processes, development and management of projects, and development of policies and procedures, in order to control the progress of operations.
  - Reducing its receivables and developing a clear policy for the payment of premiums.
  - Improving the quality of the portfolio and finding solutions to handle unprofitable business portfolios of clients, ensuring the application of an approved discount policy, and putting an end to the waste associated with claims involving vehicle accidents.
  - Focusing on high growth sectors, adapting the business to the needs of small and medium sized enterprises (SMEs) and the retail sector, and maintaining the current approach to clients' business portfolios.
  - With respect to health insurance: Restructuring the support department and improving the performance of the sales department while providing them with a unified group of products for SMEs.
  - With respect to motor insurance: Building digital channels and network of agents to become a leader in sales in terms of client focus, formulating more favorable prices, improving the handling of complaints, and reducing fraud cases.

In order to achieve this strategy, the Company will:

- Develop the best talents at the senior management level to implement this strategy.
- Foster a business environment in line with the Company's strategic direction which recognizes and rewards the best talents.
- Develop and implement the best business processes and technologies in the Company.
- Redesign existing policies and procedures, and strengthen the capacity of Finance Department while enabling cost allocation.
- Improve the company's business image, while implementing its strategy and attracting new clients.

### Notable decisions and most important developments:

In compliance with company's strategy, many initiatives have been developed to contribute to strengthening the company's financial position to ensure its continuity and growth of its business. The company has developed the organizational and administrative structure to be more effective, and has defined objectives for transformation, where it proceeded with automating a wide range of procedures and services in a way that contributes effectively to reaching the widest segment of customers and providing them with services in line with their diverse needs and technical development in the markets.

The most important initiatives that were implemented are as follows:

- The Medical Insurance Claims Department was established instead of contracting with a medical claims service provider, in order to increase the effectiveness of oversight over the medical claim management process.
- SMEs product "NABD" was launched in order to expand the company's sales for this segment.
- Launching a smartphone application to improve the customer experience.
- Working on centralization of company's operations, at its head office, in order to enhance the quality of the service and rationalize expenditure.



## Company Values

- The Company's values stem from its emphasis on client care, its topmost priority. From this perspective, the Company seeks to:
  - Understand its clients and their needs, develop innovative solutions to give them peace of mind, and consistently exceed their expectations.
  - Ensure its long-term prosperity to protect its clients, employees and shareholders as well as to participate in the economic and social development of society.
  - Foster an expedient work environment and reward good performance. and
  - Treat everyone with respect, integrity and excellence and reward its employees for their achievements

## Summary of Competitive Advantages and Strengths

- **A well-established and recognized brand in the region**

Over many years, MEDGULF has gained a prominent name in the insurance world. Given the growth of its business in a short period of time, it has become the fourth largest insurer operating in the Kingdom. Accordingly, the name "MEDGULF" is known as a leading name in the insurance sector, both to institutions and individuals.
- **A highly qualified management team**

Due to its experience, regional expansion, and relations with partners, the Company has acquired substantial experience in the field of insurance, enabling it to recruit highly-qualified management and technical professionals locally and globally. The Company primarily depends on human capabilities in order to develop and grow its business. This gives the Company an advantage in obtaining highly qualified expertise. The Company continuously and actively trains and qualifies a group of young Saudis with university degrees through banking and insurance institutions locally and across the Gulf region, which has contributed to engaging and qualifying primarily Saudi youth to deal with the critical functions of the Company. The Company will continue to provide and maximize such programs.
- **Wide geographical coverage in the Kingdom**

In addition to contracting with a wide network of brokers and agents, the Company has 14 sales and service offices, casting a wide net of geographic coverage and access to a greater number of clients across the Kingdom of Saudi Arabia.
- **Large-scale of medical network**

As at the date of this Prospectus, The Company has a large-scale medical network of more than 1,000 medical service providers, including 300 hospitals covering the whole Kingdom including remote and isolated areas, to accelerate the approval of medical claims, regulating the quality of medical services, and monitoring expenditures. This network qualifies the Company to conclude large health insurance contracts and gives it a competitive advantage over its competitors.
- **Various insurance services**

The Company has a wide range of direct insurance, reinsurance and claims management services of all types.
- **Customer-focused environment**

The Company is proud that one of the most important pillars of its strategy is client care. It has determined that its mission is to provide clients with innovative, reliable and flexible insurance solutions, while supporting high-level customer service. This is achieved through constant contact and interaction with the Company's clients, from the moment the client solicits any of the Company's products until renewal of the policy.

With over two decades of experience in the insurance industry and in offering of flexible insurance solutions that meet the client needs, an independent trained and qualified team to provide client care and complaint services that directly reports to the CEO, as well as an electronic communication channel network, sale points and customer service centers all over the Kingdom of Saudi Arabia, the Company has provided excellent customer services and has gained clients' trust.
- **Distinguished experience and robust automatic systems**

The Company's team includes a selection of cadres experienced in subscription mechanisms, with the best price instruments that regulate the subscription activity and ensure fair pricing for clients. These cadres are supported by a strong team dedicated to conduct actuarial studies and data analysis to develop a pricing and subscription structure, along with using the latest data mining programs to control the performance of the Company's portfolio. In addition, the Company includes a reinsurance department with a trained team to handle the most complex risks.



#### ▪ Network of brokers and agents

The Company has built strong relationships with the best agencies and insurance brokers with expertise in customer service, which have enabled it to establish a robust network of brokers and agents across the Kingdom. This has in turn contributed to the marketing of the Company's diverse products and the achievement of the Company's goal to provide innovative solutions with flexibility and reliable high-end customer services.

In the last few years, brokers and agents clearly contributed to maintaining the Company's position in the Saudi market. In 2020G, their efforts contributed to more than 28% of Company's total sales.

#### ▪ Innovation

A talented and experienced team works to enrich the Company's products through a range of highly qualified services going beyond client aspirations. It aims to serve society and raise awareness on the reduction of risks, in line with Saudi Vision 2030's goal to generate a vibrant society and prosperous environment. The Company has introduced a package of services supplementing its health insurance products through which it seeks to transform the society's lifestyle into one that is more vibrant and healthier. It is also developing a use-based motor insurance product (Telematics) based on the style of driving, which will have the greatest impact in motivating the society to improve its behavior and avoid unsound driving practices. This will contribute to raising the level of traffic safety and reducing vehicle accidents and their effects.

#### ▪ Development of technology system - "Naqla Program"

The Company has launched an ambitious program that aims to upgrade the Company's technical systems to the highest levels and to introduce the latest technologies in order to increase production efficiency and provide the best services to clients. The Program aims to create online platforms equipped with state-of-the-art features that enable the Company to provide services to, and continuously communicate with, the public, as well as allow them to terminate their transactions anytime and anywhere.

## Overview of Saudi Insurance Sector

Most of the sectors in the KSA suffered during 2020G upon the spread of Corona virus (COVID-19), as it affected the financial performance of many companies, while the insurance sector maintained its financial performance and showed a number of positive developments, especially in health insurance and motor insurance, which are the main contributors to insurance sector income growth.

The reason for insurance sector's stability and growth during 2020G is due to government initiatives and support upon the spread of COVID-19, as the Kingdom undertook the treatment of virus-infected citizens, residents, and even violators of residency laws. The precautionary measures taken by the Kingdom, such as partial and total bans, and restricting the movement of most citizens and residents, which led to a decrease in motor claims.

As a result, the total written premiums in Saudi insurance market grew to 8.7 billion Saudi Riyals in the second quarter of 2020G by 5.1% compared to the same period in 2019G and the insurance companies continued to retain 80.1% of total written premiums driven by health and motor insurance retention rates by 97.8% and 93.9%, respectively.

Health insurance still represents the largest share of total insurance premiums during the second half of 2020G, followed by motor insurance in the second place, and the concentration rate for both reaches 77.4%, followed by general insurance with a share of 18.9%, then the share of protection and savings insurance as the least insurance activities which consists of 3.8% of total written premiums.

In addition, the gross loss rate of insurance sector companies in the second quarter of 2020G decreased by 15.6% to reach 64.2% compared to 79.8% in the second quarter of 2019G. As stated by SAMA, the loss rate includes technical provisions in return for extending coverage of all motor insurance policies for individuals for two months and covering the impact of postponing health insurance claims until after than ban. Therefore, the net profit of insurance sector, after zakat and taxes, increased by 434.0% to reach 1.0 billion Saudi Riyals in the first half of 2020G, compared to the first half of 2019G, while investment income decreased by 16.2% due to the decrease in interest rates and returns on shares.

Government regulations and customer support strategies represent major drivers of insurance demand growth in Saudi Arabia. SAMA stated in its report (financial stability 2020G) that the insurance sector has witnessed a number of developments during 2019G, the most important of which are as follows:

- 1- The increase in the number of merging initiatives.
- 2- The success of the pilot phase of Motor Accident Damage Assessment Initiative.
- 3- Granting an initial approval to a foreign company to open branches in KSA, in accordance with regulations of licensing and monitoring branches of foreign insurance and/or reinsurance companies in KSA.
- 4- The increase in using electronic insurance brokerage, after relevant regulating rules were issued by SAMA.



Despite the current circumstances, it is expected that new and less expensive distribution channels, e.g. electronic platforms, will contribute to enhancing operational efficiency, reducing insurance product prices and facilitating access to them, as the electronic insurance brokerage business expanded in 2019G, especially in the motor insurance.

In view of the positive developments related to Vision 2030 and all initiatives launched by SAMA that aim to support the development and growth of Saudi insurance market and to enhance its contribution to economic growth, the expectations for insurance sector indicate that the future remains promising in the medium and long term.

## Summary of Financial Information

The below key performance indicators table and summary of financial statements for the financial years ending December 31, 2018G, 2019G and 2020G, including notes attached thereto, shall be viewed and considered.

**Table No. (6): Summary of Income Statement**

SAR in 000's	December 31, 2018G (audited)	December 31, 2019G (audited)	December 31, 2020G (audited)
Gross written premiums	2,069,473	2,421,277	2,534,501
Net written premiums	1,803,470	1,737,366	1,584,963
Net earned premiums	1,790,687	1,996,495	1,477,042
Total revenues	1,844,714	2,095,407	1,657,511
<b>Total subscription costs and expenses</b>	<b>(1,743,239)</b>	<b>(1,777,169)</b>	<b>(1,237,745)</b>
<b>Net underwriting income</b>	<b>101,475</b>	<b>318,238</b>	<b>419,766</b>
<b>Total (expenses)/other operating revenues</b>	<b>(306,002)</b>	<b>(298,067)</b>	<b>(361,539)</b>
<b>Net income/(loss) for the period</b>	<b>(209,152)</b>	<b>3,124</b>	<b>36,913</b>

Source: financial statements and the Company

**Table No. (7): Summary of Financial Position Statement**

SAR in 000's	December 31, 2018G (audited)	December 31, 2019G (audited)	December 31, 2020G (audited)
Total assets	3,486,872	3,500,887	3,848,469
Total liabilities	2,805,070	2,794,732	3,088,772
Total shareholders equity	681,802	706,155	759,697
<b>Total liabilities and equities</b>	<b>3,486,872</b>	<b>3,500,887</b>	<b>3,848,469</b>

Source: financial statements and the Company

**Table No. (8): Summary of Cash Flow Statement**

SAR in 000's	December 31, 2018G (audited)	December 31, 2019G (audited)	December 31, 2020G (audited)
Net income/(loss) for the year/before zakat and income tax	(204,527)	20,171	58,227
Net cash generated/(used) from operating activities	(280,814)	(189,450)	(13,484)
Net cash used in investment activities	564,003	(657,127)	(141,254)
Net cash used in financing activities	420,323	0	0
Net change in cash and cash equivalents	703,512	(846,577)	127,770
Cash and cash equivalents at the beginning of the year/period	353,960	1,057,472	210,895
Cash and cash equivalents at the end of the year/period	1,057,472	210,895	338,665

Source: financial statements and the Company





**Table No. (9): Key Performance Indicators**

	December 31, 2018G	December 31, 2019G	December 31, 2020G
Attribution ratio	12.9%	28.2%	37.4%
Retention ratio	87.1%	71.8%	62.6%
Net loss ratio	88.5%	84.4%	75.4%
Expense ratio	17.1%	14.9%	24.4%
Costs of acquiring insurance policies / net written premiums	(6.9%)	(6.8%)	(6.3%)
Income from reinsurance commission/net earned premiums	3.0%	5.0%	12.2%
Adjusted Combined Ratio	105.6%	99.3%	99.8%
Growth ratio of total written premiums	(12.7%)	17.0%	5.0%

Source: The Company



## SUMMARY OF RISK FACTORS

All prospective investors should carefully consider all information contained in this Prospectus, particularly the below risk factors, before deciding whether to subscribe for the Rights Shares, as separately detailed in Section 2 ("Risk Factors").

There are a number of risks associated with the Rights Issue, summarized as follows:

- **Risks Related to the Company's Activity and Operations**
  - Risks related to accumulated losses
  - Risk of non-compliance with solvency requirements
  - Risks related to penalties, fines and business suspension by competent authorities
  - Risks related to failure to obtain and renew required licenses, permits and certificates
  - Risks related to transactions with Related Parties
  - Risks of failure to implement the strategy
  - Credit risks
  - Recovery risks
  - Risk of contracts with third parties
  - Risk of reliance on brokers and agents
  - Risks related to reliance on key personnel
  - Risks related to employees' misconduct or errors
  - Risks related to fraudulent insurance uses, claims and other activities
  - Risk of access to adequate financing
  - Investment risks
  - Risks related to inadequacy of provisions and reserves
  - Reinsurance risks
  - Risks of reinsurance concentration
  - Poor assessment of Risks
  - Risks related to acquisition of an insurance portfolio
  - Risks related to the Company's financial performance
  - Risk of cancellation or non-renewal by policyholders
  - Risks related to translation of insurance policies
  - Risks related to risk management policies
  - Risks related to failure of IT systems or violation of security measures
  - Risks related to claims, disputes and litigations
  - Risks related to brand protection
  - Risks related to credit ratings
  - Risks related to claim management
  - Risks related to changes in the Shariah Board's opinion
  - Risks related to key vacant positions
  - Risks related to currency exchange rates
  - Risks related to Company governance
  - Risks related to non-application of loss limits or exceptions to the Company's insurance policies
  - Risks related to disasters or interruption of business
  - Risks Related to Anti-Money Laundering and Anti-Terrorism Regulations



## ▪ Risks Related to Market and Industry

- Risk related to compliance with laws and regulations
- Risk of withdrawal of the license to conduct the insurance business
- Risk of reporting requirements
- Risks related to insurance market growth
- Risk related to nature of insurance sector and its instability
- Risks related to historical market data
- Risks related to lack of cultural awareness about the importance of insurance in the Kingdom of Saudi Arabia
- Competition risks
- Risks related to changes in the behavior of Company clients
- Risk related to obtaining necessary approvals for offering new products and renewal of existing products
- Risk related to non-compliance with Council of Cooperative Health Insurance (CCHI) regulations
- Risks related to economic and insurance industry conditions
- Risks related to restrictions on ownership of insurers
- Risks related to the insurance business cycle
- Political risks
- Risks related to non-compliance with Saudization and The Saudi Ministry of Human Resources and Social Development requirements
- Risks related to lack of qualified local staff in the insurance industry
- Risks related to non-Saudi employees
- Risks related to lack of control over prices
- Risks related to non-compliance with statutory retention requirements
- Risks related to VAT
- Risks related to the regulatory environment

## ▪ Risks Related to Shares

- Risks Related to liquidity and fluctuation in the price of Shares
- Risks of potential fluctuations in the price of Rights Issue Shares
- Risks related to lack of demand for the Company's Rights and shares
- Risk related to a failure to distribute dividends
- Risks related to dilution of ownership
- Risks related to trading in Rights
- Risks related to a failure to exercise the Rights in a timely manner
- Risks related to future statements
- Risks related to shareholders' poor awareness of the trading mechanism and exercise of Rights
- Risks related to the possibility of issuing New Shares in the future
- Risks related to the uncertain compensation of Eligible Persons



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## 1. Terms and Definitions

The following table shows a list of the terms and definitions used throughout this Prospectus:

**Table No. (1.1): Terms and Definitions**

Term	Definition
<b>MEDGULF Saudi Arabia or Company</b>	The Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF), a Saudi joint stock company.
<b>Management or Senior Management</b>	Management team of MEDGULF Saudi Arabia.
<b>Board or Board of Directors</b>	Company's Board of Directors, whose names are stated in Page (iv).
<b>Kingdom</b>	Kingdom of Saudi Arabia.
<b>Government</b>	Government of the Kingdom of Saudi Arabia.
<b>Share</b>	A share of the Company with a fully paid nominal value of ten (10) Saudi Riyals.
<b>Current Shares</b>	Seventy million (70,000,000) ordinary shares, with a fully paid nominal value of ten (10) Saudi Riyals per share.
<b>Rights or Pre-emptive Rights</b>	Are tradable securities that entitle its holders the right to subscribe to New Shares upon approval of the capital increase. It is an earned right for all Registered Shareholder and each right entitles its holder to subscribe to one share of the New Shares at the Offer Price. Rights will be deposited after the Extraordinary General Assembly for the capital increase as held on 28/03/1443H (corresponding to 03/11/2021G). The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their portfolios, and by Tadawulati services as provided by Depository Center and by SMS sent by corporate brokers.
<b>New Shares or Rights Shares</b>	Thirty-five Million (35,000,000) new ordinary shares to be offered at an Offer Price of twelve (12) Saudi Riyals per share with a nominal value of ten (10) Saudi Riyals per share by issuing rights shares representing an increase in the Company's capital of (50%), then the Company's capital shall be one billion and fifty million (1,050,000,000) Saudi Riyals, divided into one hundred five million (105,000,000) ordinary shares
<b>Tadawul</b>	Automated system for trading securities.
<b>SAMA / Saudi Central Bank</b>	The Saudi Central Bank (previously known as: Saudi Arabian Monetary Authority – SAMA).
<b>Financial Statements</b>	The Company's audited financial statements for the financial years ended on 31 December 2018G, 2019G and 2020G, in addition to the notes thereto, as prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements for the financial year ended on December 31, 2018G, have been audited by Al Azem abd Al Sudairy (Certified Public Accountants and Consultants – a member of Crowe International) and Al Bassam and Partners (Allied Accountants – PKF). The Company's financial statements for the financial year ended on December 31, 2019G, have been audited by Al Azem, Al Sudairy, Al Shaikh & Partners (Certified Public Accountants and Consultants – a member of Crowe International) and Associated Accountants (Houmod Al-Robian & Partner - Certified Accountants and Consultants). The Company's financial statements for the financial year ended on December 31, 2020G, have been audited by Al Azem, Al Sudairy, Al Shaikh & Partners (Certified Public Accountants and Consultants – a member of Crowe International) and Al Kharashi & Co. Certified Accountants and Auditors.
<b>Financial Advisor</b>	SNB Capital.
<b>Lead Manager</b>	SNB Capital.
<b>Underwriter</b>	SNB Capital.
<b>Investor or the Subscriber</b>	Each Eligible Person subscribing or applying for subscription to the Rights according to subscription terms and conditions.
<b>Bylaws</b>	MEDGULF Bylaws.
<b>Offering</b>	Offering New Shares or Rights Shares
<b>Offer Price</b>	Twelve (12) Saudi Riyals per share.
<b>Rules on the Offer of Securities and Continuing Obligations</b>	Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law passed by Royal Decree No. (M/30) dated 02/6/1424H (corresponding to 01/08/2003G), and amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
<b>Listing Rules</b>	Listing Rules issued by the Saudi Stock Exchange ("Tadawul") and approved by virtue of CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended by Resolution No. 1-104-2019 dated 01/02/1441H (corresponding to 30/09/2019G).
<b>CML</b>	Capital Market Law issued under Royal Decree No. (M/30) dated 02/6/1424H (corresponding to 01/8/2003G), as amended.
<b>Net Proceeds</b>	Net Proceeds of Offering after deduction of offering expenses.
<b>Advisors</b>	Advisors to the Company in relation to the subscription, with names appearing on Pages (vi).



Term	Definition
<b>Prospectus</b>	This document prepared by the Company in relation to the underwriting of rights shares.
<b>CMA or Authority</b>	The Capital Market Authority of the Kingdom of Saudi Arabia.
<b>Saudi Exchange (Tadawul)</b>	The Saudi Exchange Company (Tadawul), established pursuant to the of Councils of Ministers Resolution dated 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Capital Market Law, a closed Saudi Joint Stock company, and the only entity authorized to operate as a stock exchange in the Kingdom of Saudi Arabia, where it lists and trades securities.
<b>Saudi Stock Exchange, Stock Exchange, Stock Market, Exchange, or Tadawul</b>	Saudi Exchange for trading of securities
<b>Substantial Shareholders</b>	Shareholders owning 5% or more of the Company's total shares, which are: <ul style="list-style-type: none"> <li>■ The Saudi Investment Bank (19.00% shareholding)</li> <li>■ Medgulf Bahrain (17.12% shareholding).</li> <li>■ Abdullah Abunayyan Trading (9.99% shareholding).</li> </ul>
<b>Medgulf Bahrain</b>	Mediterranean and Gulf Insurance and Reinsurance Company, a closed Bahraini joint stock company, and a Substantial Shareholder as shown by subsection 4.3.2.
<b>EGM</b>	Extraordinary General Assembly Meeting convened in accordance with the Company's Bylaws.
<b>EGM on Capital Increase</b>	EGM held to approve increase of the Company's share capital from seven hundred million ( 700,000,000) Saudi Riyals to one billion fifty million (1,050,000,000) Saudi Riyals through a Rights Issue.
<b>General Assembly</b>	General Assembly Meeting convened in accordance with the Company's Bylaws.
<b>Ordinary General Assembly</b>	Ordinary General Assembly Meeting convened in accordance with the Company's Bylaws.
<b>Corporate Governance Regulations</b>	Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. (816-2017) dated 16/5/1438H (corresponding to 13/2/2017G), in accordance with the Companies Law promulgated by Royal Decree No. (M/3) dated 28/1/1437H, as amended by the CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
<b>Insurance Companies Governance Regulations</b>	Saudi Insurance Companies Governance Regulations as issued by the Saudi Central Bank (formerly: the Saudi Arabian Monetary Agency) on 08/01/1437H (corresponding to 10/21/2015G).
<b>Related Parties</b>	Means, under the Rules on the Offer of Securities and Continuing Obligations and the Glossary of terms used in the regulations of the Capital Market Authority as issued by the CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G): <ol style="list-style-type: none"> <li>1- Affiliates of the Issuer.</li> <li>2- Substantial shareholders in the Issuer.</li> <li>3- Directors and senior executives in the Company.</li> <li>4- Directors and senior executives of the affiliates of the Issuer.</li> <li>5- Directors and senior executives of the substantial shareholders of the Issuer.</li> <li>6- Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above.</li> <li>7- Any company controlled by any person referred to in (1, 2, 3, 4, 5, or 6) above.</li> <li>8- Persons working together and, collectively, holding 5% or more of the share class to be listed.</li> </ol>
<b>Companies Law</b>	Companies Law promulgated by Royal Decree No. (M/3) dated 28/1/1437H (corresponding to 10/11/2015G), enter in force on 25/07/1437H (corresponding to 02/05/2016G) as amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G).
<b>Outsourcing Regulation for Insurance and Reinsurance Companies and Insurance Service Providers</b>	Outsourcing Regulation for Insurance and Reinsurance Companies and Insurance Service Providers issued by SAMA on 17/11/2012G.
<b>Ministry of Commerce</b>	Ministry of Commerce in the Kingdom of Saudi Arabia.
<b>MoMRA</b>	Ministry of Municipal and Rural Affairs.
<b>Council of Cooperative Health Insurance</b>	The Council of Cooperative Health Insurance, established pursuant to the Cooperative Health Insurance Law issued by Royal Decree No. (M/10) dated 1/5/1420H (corresponding to 13/8/1999G) as amended.





Term	Definition
<b>The Public</b>	According to CMA rules and regulations, the Public means any person other than the following: 1- Affiliates of the Issuer. 2- Substantial shareholders in the Issuer. 3- of Directors and senior executives in the Company. 4- Directors and senior executives of the affiliates of the Issuer. 5- Directors and senior executives of the substantial shareholders of the Issuer. 6- Any relatives of the persons referred to in 1, 2, 3, 4, or 5 above. 7- Any company controlled by any person referred to in 1, 2, 3, 4, 5, or 6 above. 8- Persons working together and, collectively, holding (5%) or more of the share class to be listed.
<b>Reinsurance</b>	The process by which burdens of insured risks shall be transferred from the insurer to the reinsurer, thus indemnifying the insurer by the reinsurer for payments to the insured in case of damage or loss.
<b>Underwriting Agreement</b>	The agreement concluded between the Company and the Underwriter, SNB Capital.
<b>Insurance Policy</b>	A legal document or contract issued by the Company to the insured stating the terms of the contract to indemnify the insured for loss and damage covered by the document in return for a premium paid by the insured.
<b>Insurance</b>	A contractual mechanism by which the burden of pure risks, as classified and aggregated, shall be transferred from the insured to the insurer, and those suffering from loss and damage shall be indemnified by the insurer.
<b>Insurance Agent</b>	A legal person acting against a commission who represents the Company, as well as markets and sells the insurance policies and carries out all common actions for or on behalf of the Company.
<b>Insurance Broker</b>	A legal person acting against a commission who negotiates with the Company to complete the insurance procedures for the insured.
<b>International Financial Reporting Standards (IFRS)</b>	A set of accounting standards and interpretations thereof issued by the (International Financial Reporting Standards Board).
<b>Eligible Persons or Entitled shareholders</b>	All Rights holders, whether Registered Shareholders or those who have purchased the Rights during the Trading Period.
<b>Financial Year</b>	The Company's fiscal year ended on 13 December every year.
<b>Localization/ Saudization</b>	Replacement of expatriate workers by Saudi citizens in private sector jobs.
<b>SAR</b>	The official currency of the Kingdom of Saudi Arabia.
<b>Saudi Organization for Certified Public Accountants (SOCPA)</b>	Saudi Organization for Certified Public Accountants in the Kingdom of Saudi Arabia
<b>General Organization for Social Insurance</b>	General Organization for Social Insurance in the Kingdom of Saudi Arabia
<b>Gross Written Premiums</b>	Gross premiums of insurance contracts written during a specified period (whether assigned or not) without deducting the assigned premiums.
<b>Insurance Law or Cooperative Insurance Companies Control Law</b>	Cooperative Insurance Companies Control Law issued under Royal Decree No. (M/32) dated 02/6/1424H (corresponding to 31/7/2003G).
<b>Implementing Regulations of Cooperative Insurance Companies Control Law</b>	The Implementing Regulation of the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank (formerly": the Saudi Monetary Agency) on 01/03/1425H (corresponding to 20/04/2004G).
<b>Registered Shareholders</b>	Shareholders recorded in the Company's Register as of the close of trading on the date of the EGM on capital increase, and Shareholders registered in the Company's Shareholders Register held with Depository Center at the close of the second trading day following the date of the EGM on capital increase dated 28/03/1443H (corresponding to 03/11/2021G).
<b>Allocation Date</b>	The date when final allocation will be announced no later than 01/05/1443H (corresponding to 05/12/2021G).
<b>Trading Period</b>	From 10/04/1443H (corresponding to 15/11/2021G) to the end of the trading on 17/04/1443H (corresponding to 22/11/2021G).
<b>Subscription Period</b>	From 10/04/1443H (corresponding to 15/11/2021G) to the end of the trading on 20/04/1443H (corresponding to 25/11/2021G).
<b>Risk Factors</b>	A group of potential factors that should be understood and hedged against before making a decision as to whether or not to trade in or subscribe for the Rights Shares.
<b>Solvency Margin</b>	The extent to which the Company's assets can be converted into cash (other than its obligations).
<b>Statutory Reserve</b>	Amounts that the Company must deduct and allocate to cover its financial obligations.
<b>Technical Provisions/ Reserves</b>	Amounts allocated by the Company to cover expected losses arising from some insurance policies and resulting financial obligations.



Term	Definition		
Unregistered Shareholders	Shareholders in the Company whose names do not appear in the Company's Shareholders Register at the close of the trading on the day of the EGM.		
Working Day	Any business day except for Fridays and Saturdays, any day that is an official holiday in the Kingdom of Saudi Arabia, or any day on which banks are closed in accordance with applicable laws 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/134 dated 27/11/1440H (corresponding to 29/07/2019G).		
H	Hijri calendar.		
G	Gregorian calendar.		
Securities Depository Center Company / Depository Center	a closed joint stock company wholly owned by the Saudi Exchange Company (Tadawul). It was established in 2016G under the Saudi Companies Law as issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015G).		
Vision 2030	Saudi Vision 2030 is a plan to reduce Saudi Arabia's dependence on oil. It was announced on 25/4/2016G and is regulated by the Council of Economic and Development Affairs chaired by Crown Prince Mohammed bin Salman bin Abdul-Aziz Al Saud. It was presented to the Council of Ministers headed by the Custodian of the Two Holy Mosques.		
VAT	On 02/05/1438H (corresponding to 30/01/2017G), the Cabinet decided to approve the unified VAT agreement for Gulf Cooperation Council (GCC) countries, which came into force on 01 January 2018G, as a new tax added to the system of taxes and other fees to be implemented by Specific industries in the Kingdom, and in the GCC countries. The amount of this tax is 5%, where a number of products have been excluded from it (such as basic foods, services related to health care and education). The Kingdom's government decided to increase the value-added tax rate from 5% to 15% starting from 01 July 2020G.		
Indicative Value of a Right	The difference between the market value of a company's share during the trading period and the offering price.		
Right Price	The trading price of a Right as determined by the supply and demand mechanism in the market. Therefore, it may differ from the indicative value of a right.		
Rump Shares	Remaining Shares, if any, which were not subscribed for during the subscription period.		
Rump Offering	Rump Shares Unsubscribed by Eligible Persons shall be offered to Institutional Investors by offering them during Rump Offering Period.		
Rump Offering Period	The period starts from 10:00 AM on 25/04/1443H (corresponding to 30/11/2021G) until 05:00 PM of the next day on 26/04/1443H (corresponding to 01/12/2021G).		
Eligibility factor	The result of dividing the number of new shares by the number of existing shares of the company		
Eligible Persons	All Rights holders, whether Registered Shareholders or those who have purchased the Rights during the Trading Period.		
Substantial Shareholders	Shareholders owning 5% or more of the Company's share capital. As at the date of the Prospectus, the table below sets out the shareholding of Substantial Shareholders (owning 5% or more of the Company's share capital):		
	<b>Table No. (1.2): Substantial Shareholders</b>		
	Name	Prior to Offering	
		NO. of Shares	Percentage
		The Saudi Investment Bank	13,300,000
	Medgulf Bahrain	11,984,000	17.12%
	Abdullah Abunayyan Trading Company	6,993,000	9.99%
The Saudi Investment Bank	A Substantial Shareholder as shown by subsection 4.3.1.		
Abdullah Abunayyan Trading Company	A Substantial Shareholder as shown by subsection 4.3.3.		
Person	Natural person		
Listing	Listing securities on the primary market or - where the context allows - submitting a listing application to Tadawul.		
New Investors	General Individual and institutional investors - with the exception of the Registered Shareholders - who have purchased the Rights Issue during the Trading Period.		
Brokers	Capital market institutions licensed by the Capital Market Authority to conduct the activity of dealing in securities in the capacity of an agent.		



Term	Definition
<b>Institutional Investors</b>	Includes a number of institutions, as follows: <ol style="list-style-type: none"> <li>1- Government entities and Government owned companies, whether investing directly or through a portfolio manager, or any international entity recognized by the CMA, the Exchange or any other stock exchange recognized by CMA or the Depository Center.</li> <li>2- Mutual funds established in the Kingdom and publicly offered besides private funds which invest in the securities listed in the Saudi Stock Exchange, if such is permitted by the fund's terms and conditions and subject to the provisions and restrictions provided in the Investment Fund Regulations.</li> <li>3- Persons authorized to deal in securities as principals, provided that the financial adequacy requirements are observed.</li> <li>4- Customers of a capital market institution to conduct management activities, provided that such capital market institution has been appointed on terms upon which it may make decisions regarding the acceptance of the Offering subscription and investment in Tadawul on behalf of the customer without obtaining prior approval.</li> <li>5- Any legal persons that may open an investment account in the Kingdom and an account with the Depository Center, taking into consideration the rules and regulations that apply on investments by listed companies in securities provided that the participation by such company shall not cause any conflict of interest.</li> <li>6- GCC Investors with Legal Personality, including companies and funds established in the GCC countries.</li> <li>7- Qualified foreign investors, and;</li> <li>8- A final legal beneficiary in a swap agreement concluded with capital market institution, in accordance with the terms and regulations of the swap agreements.</li> </ol>
<b>Investor</b>	Owner or holder of shares as of any specified time.
<b>GCC</b>	The Gulf Cooperation Council.
<b>Compound Annual Growth Rate (CAGR)</b>	A method used to calculate the growth rate of a particular item over a specified period of time.
<b>Corona Virus or Covid-19</b>	It is a contagious viral disease known as the Corona virus and abbreviated "Covid-19", as it began to spread in most countries of the world, including the Kingdom of Saudi Arabia, at the beginning of the year 2020G, and as a result, the World Health Organization classified it as a pandemic.
<b>General Authority of Zakat and Tax</b>	General Authority of Zakat and Tax (formerly the Department of Zakat and Income Tax), a government agency affiliated with the Minister of Finance, which is the body entrusted with the work of levying zakat and tax collection.
<b>Procedures and Instructions related to Listed Companies, with Accumulated Losses Reaching 20% or more of their Share Capital</b>	Rules on accumulated-losses of listed companies as issued by the Board of the Capital Market Authority pursuant to its Resolution No. 4-48-2013 dated 15/01/1435H (corresponding to 18/11/2013G) as amended by the CMA Board Resolution No. 1-77-2018 dated 05/11/1439H (corresponding to 18/07/2018G)
<b>Rules for Qualified Foreign Financial Institutions Investment in Listed Securities</b>	The Rules that regulate the investment in securities by non-Saudi institutions based outside the Kingdom as issued by the Board of the Capital Market Authority pursuant to its Resolution No. 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015G) as amended by Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G).
<b>NITAQAT Scheme</b>	A program of the Ministry of Human Resources and Social Development. It is a program to motivate enterprises to employ Saudis. It was approved by Resolution No. (4040) dated 28/01/1432H (corresponding to 09/10/2011G) based on Cabinet Resolution No. (50) dated 13 /05/1415H (corresponding to 27/10/1994G), and the program evaluates the performance of the facility on specific ranges basis (Platinum, green, yellow and red) according to the activity and industry under which the company falls. Such NITAQAT Scheme was amended by Resolution NO. (63717) dated 29/03/1441H (corresponding to 26/11/2019G), where the yellow range was canceled from NITAQAT and all facilities in the yellow band were transferred to the red band and the red band standards contained in the NITAQAT Scheme guide were applied to these facilities.
<b>Actuary</b>	The person who applies the probability and statistics theory, under which services are priced, commitments and allocations are made.
<b>Unearned premiums</b>	The portion of written premiums that covers risks related to subsequent financial periods.
<b>Claims under settlement</b>	Claims and accidents that the insured has reported to the insurance company, that are still under investigation and have not been settled or paid. They equal the value of the losses claimed by the insured, based on the amounts of the insurance policy.
<b>Costs of document subscriptions under settlement</b>	The total costs of subscribing insurance policies, including commissions, the portion of administration-related expenses and other overhead costs attributable to insurance operations.
<b>Total Paid Claims</b>	The value paid by the insurance company to the insured as compensation for the risks or damages they were exposed to according to the terms and conditions of the insurance policy.
<b>Net Paid Claims</b>	Total claims after deducting the reinsurers' commission from those claims.
<b>Claims settlement</b>	Procedures carried out by insurance companies, whether technical or legal, may delay the payment of claims to policyholders in the same maturity period.
<b>Unreported Incurred Claims</b>	Amounts owed by the insurer in favor of the insured as a result of claims that occurred and not reported on the date of preparing the financial statements.
<b>Net Incurred Claims</b>	Claims that were disbursed during the period after settlement of outstanding claims.



Term	Definition
<b>Surplus of insurances</b>	The insurance company's net business proceeds from the insurance, which is the difference between total revenue and total costs and expenses.
<b>Excess of loss</b>	A non-relative type of reinsurance agreement where the insured must waive certain risks within certain amounts exceeding the value of the loss that the insured agreed to accept, and the reinsurer undertakes to accept the insurance for the risks assigned to him.
<b>Insurance Company</b>	An insurance company that accepts insurance contracts from the insured and undertakes to compensate for the risks directly exposed to the insured.
<b>Insured</b>	The natural or legal person who concludes the insurance contract.
<b>Claim</b>	Written notice given by the insured to the insurer requesting compensation for an accident covered under the terms of the insurance policy.
<b>General Insurance</b>	Subject to the implementing Regulation of the Cooperative Insurance Companies Control Law as issued by the Central Bank, general insurance includes the following: 1- Accident and liability insurance. 2- Vehicle insurance. 3- Property insurance. 4- Marine insurance. 5- Aviation insurance. 6- Power insurance. 7- Engineering insurance. 8- Other branches of general insurance: including other branches of general insurance that were not mentioned above.
<b>Health Insurance</b>	includes medical costs, medicines, all medical and treatment services and supplies, and management of medical programs.
<b>Vehicle Insurance</b>	includes insurance against losses and liabilities related to vehicles, excluding transportation risks.
<b>S&amp;P</b>	Standard & Poor's is a US credit rating agency.
<b>"AA" Rating</b>	A credit rating by Standard & Poor's means that the rated entity has a high ability to meet its financial obligations. It should be noted that this rating means that it is (very low risk).
<b>"A" Rating</b>	A credit rating by Standard & Poor's means that the rated entity has sufficient ability to meet its financial obligations.
<b>"BBB" rating</b>	A credit rating by Standard & Poor's means that the rated entity has sufficient ability to meet its financial obligations, but is likely to become weak in favorable or changing economic conditions.
<b>"BB" rating</b>	A credit rating by Standard & Poor's means that the rated entity has a lower ability to meet its financial obligations, but is likely to become weak in favorable or changing economic conditions.
<b>A.M. Best</b>	A.M. Best is a US credit-rating agency, focusing on the insurance industry around the world.
<b>"A" rating</b>	A credit rating by A.M. Best means that the rating agency has an excellent ability to meet its continuing insurance obligations.
<b>"B" rating</b>	A credit rating by A.M. Best means that the rating agency has a medial ability to meet its continuing insurance obligations.



## 2. Risk Factors

All prospective investors should carefully consider all information contained in this Prospectus, particular attention to the risk factors described below, before deciding whether to subscribe for the Rights Shares. The risk factors described below may not include all the risks that the Company may encounter, as there could be other risks currently unknown to, or considered immaterial by, the Company, which may preclude its operations. The Company's business, financial position, results of operations, cash flows, and prospects could be adversely materially affected if any of the following risks materialize.

The Board Members further declare that, to the best of their knowledge and belief, there are no material risks the omission of which would affect decisions taken by Shareholders as of the date of this Prospectus, except as disclosed in this Section.

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

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

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

### 2.1 Risks Related to the Company's Activity and Operations

#### 2.1.1 Risks related to accumulated losses

The Company's accumulated losses amounted to SAR 99,569 million as of 31/12/2020G, representing about 14.22% of its share capital. The accrued deficit is mainly attributed to an increase in policyholders' reserve of doubtful debts and reinsurance receivables through related parties. These accumulated losses would put further pressure on the Executive Management and the Board of Directors, requiring them to continue to seek solutions to reduce the Company's costs and increase its revenues at a higher cost.

Despite efforts by the Board of Directors and the Executive Management to take initiatives to reduce accumulated losses, there is no assurance that the Company will not continue to incur additional losses. In case the Company incurs additional losses, it will be subject to a number of relevant Saudi laws and regulations. For example, the Company will be subject to Article 150 of the Companies Law, which makes it an obligation to inform Board members once the losses of the Company reach 50% of its share capital. Board members shall call for a meeting of the Extraordinary General Assembly to consider the Company's decreasing or increasing the share capital of or dissolving it prior to the term specified in the Bylaws. Failing this (or in other circumstances), the Company shall be deemed dissolved by law.

It should also be noted that on 23/01/1438H (corresponding to 24/10/2016G), CMA Board Resolution No. 1-130-2016 amended the procedures and instructions of companies listed in Tadawul, with accumulated losses amounting to 50% or more of their capital in accordance with the Companies Law. The Resolution was renamed "Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching to 20% or more of their Share C" and was implemented as of 25/7/1438H (corresponding to 22/4/2017G). According to these Procedures and Instructions, in case the accumulated losses of a company reach 20% or more of its share capital, the company shall promptly announce such an event.

In addition, if the accumulated losses of a company amount to 50% or more of its share capital, the company shall immediately announce the event, with a recommendation by its Board of Directors to the Extraordinary General Assembly, as required under Article 150 of the Companies Law, stating whether the Extraordinary General Assembly proposes to increase or decrease the company's share capital or dissolve it before the date set forth in its Bylaws.

In case the company is dissolved under Paragraph (2) of Article 150 of the Companies Law or pursuant to a resolution by the Extraordinary General Assembly, the company's shares will be delisted.

It should be noted that on 03/16/1442H (corresponding to 02/11/2020G), Royal Decree No. 15016 was issued regarding the suspension of some provisions of Companies Law, and the decree No. 348 dated 10/04/1442H (corresponding to 25/11/2020G) was issued by the Minister of Commerce in accordance with the Royal Decree to suspend Article 150 of Companies Law for two years from 01/08/1441H (corresponding to 25/03/2020G).



### 2.1.2 Risk of non-compliance with solvency requirements

According to Articles 66, 67, and 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company shall maintain a minimum solvency margin ratio of 100%. It should be noted that the margin of the Company's solvency margin reached 43.3% as of 31/12/2020G, 30.4% as of 31/12/2019G and 9.4% as of 31/12/2018G, which means that the Company has not complied with the minimum solvency requirements.

According to Article 66 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, SAMA directs companies to maintain the solvency margin ratio required by adopting the maximum of any of the three methods specified in the SAMA Regulations:

- A minimum capital of two hundred million (200,000,000) Saudi Riyals.
- Solvency margin of written premiums.
- Claim solvency margin.

The Company uses the "claim solvency margin" method to determine its solvency requirements. The solvency margin was below the minimum required as of 31 December 2020G. The capital structure of the Company as of 31 December 2020G consists of paid up capital of eight hundred million (800,000,000) Saudi Riyals, statutory reserves of SAR 26.1 million and an accrued deficit of SAR 99,569 million in the statement on its financial position.

For insurers who fail to comply with appropriate solvency ratio, SAMA imposes a range of remedial actions, including:

- Increasing the Company's share capital.
- Adjusting product price.
- Decreasing costs.
- Ceasing the underwriting new policies.
- Liquidating certain assets.
- Any other action deemed appropriate to the Company and approved by SAMA.

In the event of the Company's failure to satisfy solvency requirements within a time frame set by SAMA and upon taking the aforementioned actions, SAMA may require the appointment of an advisor (to provide advice as necessary) or otherwise withdraw the Company's license as stipulated in Paragraph (D), Clause (2) of Article 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law.

The Company's solvency ratio is primarily affected by statutory technical reserves, to be complied with, which in turn are influenced by the volume of insurance policies sold and the regulations determining the statutory reserves. This solvency ratio is also affected by several other factors, including profit margin, return on investment, and cost of insurance and reinsurance. If the Company continues to grow quickly, or if required solvency limits increase in future, the Company might have to increase its share capital to meet said required solvency limits, which could lead to capital inflation. Future share capital increase is subject to approvals by regulators such as SAMA, CMA, the Ministry of Commerce, and the Company's Shareholders Assembly. If the Company fails to increase its share capital, it will have to limit its growth activities and comply with the regulatory requirements above, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects. Alternatively, it might result in penalties imposed on the Company, and even withdrawal of its license in some exceptional cases.

SAMA periodically requests additions or changes to solvency margin requirements through the allocation of additional reserves, which will have a negative impact on the Company's business, results of operations and financial position through allocating additional reserves.

The Company's ability to effectively manage risks and appropriately price its products may result in a reduction in the value of recognized assets. This may adversely affect the solvency margin required and would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.3 Risks related to penalties, fines and suspension of business by competent authorities

Since the Company's business is subject to various regulations and instructions issued by SAMA, CMA and a number of other government agencies, the Company is subject to fines and penalties in case of non-compliance or delay in complying with any of such regulations and instructions. The Company may be exposed to a number of fines and penalties by SAMA and CMA, including suspension of some or all of its business, which will negatively and materially affect its results of operations, financial position and future prospects (please refer to subsection 10.2 "Continuing obligations imposed on the Company by Government Authorities" of Section 10 "Legal Information"). For example, on 29/01/2018G, SAMA issued a letter banning the Company from issuing any new policy and renewing existing policies given that the Company did not meet the solvency margin requirements as of 31/12/2017G.





On 16/4/2018G, the ban was lifted, thus allowing the Company to issue and renew insurance policies as of 17/4/2018G, provided that the Company shall:

- First: Complete capital increase procedures to the extent required to address the solvency margin before 31/10/2018G.
- Second: Apply best governance practices, represented by Board of Directors and Executive Management.
- Third: Continue to provide SAMA with a weekly report on the measures taken in this regard

It should be noted that a number of fines have been imposed on the Company during the previous three years as follows:

- A fine of 10,000 Saudi Riyals was imposed by SAMA in 2020G, for failing to apply precautionary measures to limit the spread of Covid-19.
- A fine of 120,000 Saudi Riyals was imposed by SAMA in 2020G, for violating SAMA instructions regarding due diligence in Anti-Money Laundering and Terrorism Financing.
- A fine of 50,000 Saudi Riyals was imposed by SAMA in 2019G, for failing to update Anti-Money Laundering and Terrorism Financing Policy and failing to verify the criminal record before joining the job.
- Fines of 180,000 Saudi Riyals were imposed the CMA in 2018G, for violating a number of provisions Listing Rules and the Corporate Governance Regulations, during the fiscal years from 2008G to 2017G.
- A fine of 20,000 Saudi Riyals was imposed by the CMA in 2018G, for violating Paragraph (a) of Article 62 of the Rules on the Offer of Securities and Continuing Obligations, as the Company delayed the information of the CMA and the public about the appointment of a financial advisor to manage the Rights Issue; while the appointment took place on 11/04/2018G, it was not announced until 15/04/2018G.
- A fine of 20,000 Saudi Riyals imposed by the CMA in 2018G, for violating Paragraph (5) of Article 63 of the Rules on the Offer of Securities and Continuing Obligations, as the Company delayed the information of the CMA and the public of the appointment of Abdul Rahman bin Muhammad Al Zwaidi as CEO; while the appointment took place on 10/04/2018G, it was not announced until 01/05/2018G.
- A fine of 20,000 Saudi Riyals imposed by the CMA in 2018G, for violating Paragraph 19 of Article 63 of the Rules on the Offer of Securities and Continuing Obligations, as the Company delayed the information of the CMA and the public of the results of the Ordinary General Assembly meeting held on 24/06/2018G, as its results were not announced until 25/06/2018G, after the market closed.

In case the Company fails to comply with all SAMA's regulations and instructions related to insurance sector, the CMA rules, requirements and implementing regulations, it may be subject to fines and penalties that may be imposed by SAMA and/or the CMA and/or any other competent entity.

#### 2.1.4 Risks related to failure to obtain and renew required licenses, permits and certificates

The Company has to obtain authorizations, licenses and regulatory approvals necessary for its activities. These licenses include, but are not limited to, SAMA licenses, CCHI licenses, commercial registrations, SAMA product licenses, SAMA-issued licenses for opening points of sale, Ministry of Municipal and Rural Affairs (MoMRA) licenses, Civil Defense Directorate permits, Ministry of Commerce certificates of registration of the Company, Chamber of Commerce membership certificates, trademark registration certificates, as well as Saudization, Zakat and General Organization for Social Insurance (GOSI) certificates. Most of the Company's licenses, permits and certificates are subject to conditions, under which licenses, permits and certificates may be suspended or terminated in case of the Company's failure to meet and comply with the outlined basic conditions.

In addition, the Company obtained a license from the Ministry of Investment, on the grounds that Medgulf Bahrain - one of the founding shareholders in the Company - listed on the Bahrain Stock Exchange, is owned by foreign non-GCC companies. Therefore, the Company's share capital is foreign. The Company will also be required to file an application for amendment of its license issued by Ministry of Investment in certain cases, including, in the event of any change to its share capital.

As of the date of this Prospectus, the Company has not obtained a commercial registration certificate from Ministry of Commerce and three Civil Defense licenses. As of the date of this Prospectus, three commercial registration certificates, four municipal licenses, and nine permits from the Civil Defense have expired (please refer to Section 10.3 "**Company's Branches and Points of Sale**"). The Company's failure to obtain Civil Defense licenses for any of its branches or non-renewal of the expired civil defense licenses may subject the Company to a penalty of up to thirty thousand (30,000) Saudi Riyals, or the suspension of some of its business activities. Furthermore, the Company's failure to obtain municipal licenses may subject the Company to a penalty ranging from one thousand Saudi Riyals (SAR 1,000) to five thousand Saudi Riyals (SAR 5,000) per license, and the Company's non-renewal of municipal licenses may subject the Company to a penalty ranging from two hundred Saudi Riyals (SAR 200) to five hundred Saudi Riyals (SAR 500) per license. In addition, where the Company violates any laws or regulations - for example, failure to obtain written approval from SAMA to open branches or offices in Saudi Arabia or abroad - it may be subject to SAMA penalties of up to one million Saudi Riyals (SAR 1,000,000) in accordance with Article 21 of the Cooperative Insurance Companies Control Law. The Company's failure to obtain commercial registration certificate for a branch or failure to renew an expired certificate may subject the Company to pay a fine of fifty thousand Saudi Riyals (SAR 50,000).



If the Company fails to renew its current licenses or obtain any of its business licenses or if any of the Company's licenses are suspended, expired or are not renewed, or if such licenses were renewed under terms unfavorable to the Company, or the Company failed to obtain additional licenses as required in the future, this may lead to disruptions in the Company's operations and result in the Company incurring additional costs, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.5 Risks related to transactions with Related Parties

In the course of its normal business, the Company deals with companies known as related parties, that are mainly other companies having among their board members and senior executives, MEDGULF shareholders. The total balances due to related parties amounted to approximately 17.6 million Saudi Riyals, 17.1 million Saudi Riyals, and 0.8 million Saudi Riyals as of December 31, 2018G, 2019G, and 2020G, respectively. On the other hand, the total balances owed by related parties to the Company amounted to approximately 0.06 million Saudi Riyals, 0.06 million Saudi Riyals, and 2 million Saudi Riyals as of December 31, 2018G, 2019G, and 2020G, respectively. It should be noted that approval of the General Assembly was obtained for all transactions with related parties during the financial years ending in 2018G and 2019G, while approval of the General Assembly and the Board of Directors was obtained for all transactions with related parties during the financial year ending in 2020G, as per General Assembly's delegation to the board of directors dated 03/06/2020G. Transactions with related parties are regulated in accordance with Saudi laws and regulations for concluding such transactions. Management believes that such transactions with related parties were concluded on an arm's-length basis in accordance with the Company's conflict of interest governance policies. If any contracts with related parties are not concluded on an arm's length basis in the future, this would have a material adverse impact on the Company's business, results of operations, financial position and prospects (please refer to Subsection 6.7.1.8 "Related parties" of Section 6 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Subsection 10.2 "Continuing obligations imposed on the Company by Government Authorities" of Section 10 "Legal Information").

All reinsurance agreements were handled until 2014G by the Cooperative Reinsurance Center, a MEDGULF associated center, and hence a related party. The Center conducted the Company's transactions on a consolidated basis with other related parties, reinsurance companies and brokers. Transactions with reinsurance companies and brokers were thus conducted and balances were settled through the Center. However, amounts paid and settlements between parties were unclear and undocumented and involved certain brokers who were not licensed in the Kingdom.

### 2.1.6 Risks of failure to implement the strategy

The Company's ability to increase revenues and improve its profitability depends on the successful realization of its strategy. The Company's strategy is based on several factors, which include reducing the amounts receivables, introducing a clear payment policy to address the solvency margin, restructuring the support functions, improving the sales department's performance, promoting the Company's business image in line with its strategy, and attracting new clients. (See Subsection 4.5.3 "Company Strategy" under Section 4 "Overview of the Company and Nature of its Business").

The Company's ability to implement its current strategy is subject to various factors. If the Company fails to implement any part of its strategy for any reason, including any of those described in this Section, this would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

There is no assurance that successful implementation of the Company's strategy will lead to better operational results. The Executive Management reviews and evaluates the business strategy together with the Board of Directors on a regular and periodic basis. Accordingly, the Company may decide to change or suspend certain aspects of its business strategy, or to adopt alternative or additional strategies as required by the Company's operating environment, competitive position or other factors or events.

### 2.1.7 Credit risks

Credit risks are represented when a client or counterparty fails to fulfill their obligations towards the Company pursuant to the agreed-upon terms and conditions. Given that the Company is lacking sufficient guarantees to cover such obligations, this would cause the Company to incur losses equal to the obligation. A wide range of the Company's business is exposed to credit risk, especially with respect to risks arising from health insurance policies, motor insurance policies, and other insurance products.

It should be noted that a significant share of reinsurers premiums and balances receivable remained outstanding in excess of 90 days, with a total value of approximately SAR 583.1 million as at 31/12/2018G, approximately SAR 561.6 million as at 31/12/2019G, and approximately SAR 421.2 million as at 31/12/2020G. The Company faces difficulties in applying agreed upon contractual payment terms and ensuring smooth collection thereof. These difficulties may be faced in the future, especially in case of governmental clients, where total amounts receivable reached approximately SAR 163.9 million as at 31/12/2018G, approximately SAR 179.1 million as at 31/12/2019G and approximately SAR 221.1 million as at 31/12/2020G, from whom collection is time-consuming, which would have a material adverse impact on the Company's solvency and financial position.

Pursuant to Article 6 of the Unified Compulsory Motor Insurance Policy issued by SAMA, insurance companies are committed to indemnify third party(ies) (other than the insured) for the consequences of accidents covered under third party liability insurance policies. Insurance companies have the right of recovery from the insured, the driver or the person causing the





accident to recover the amount it had paid to the third party "if recovery is justified". Therefore, recovery of paid amounts from the insured, the driver or the person causing the accident results faces the risk of reticence or failure by some to repay the amounts due from them, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.8 Recovery risks

Although reinsurers are liable to the Company for risks incurred by the Company, subject to the agreed upon cap, the Company remains primarily liable to its clients for all risks that the Company reinsures. Accordingly, reinsurance agreements do not waive the Company's obligation to settle claims, and the Company may incur risks related to reinsurers. As a result, the Company is at risk with respect to its ability to recover amounts due from reinsurers, including in the event of any default by the Company's key reinsurers as a result of the reinsurers' objection to pay certain reinsurance claims payable under the terms of the contract and failure to settle a claim or part thereof. The Company cannot guarantee that the reinsurers will pay the reinsurance claims on a timely basis or at all. If the reinsurers are unwilling or fail to pay the amounts owed thereby under reinsurance contracts, whether due to financial difficulties or because of a dispute over coverage by the insurance policy between the Company and the reinsurer, the Company will incur unexpected losses, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.9 Risk of contracts with third parties

The Company has entered into contracts and agreements with other parties operating in the insurance sector, such as insurance brokerage contracts, reinsurance contracts, and medical claim settlement contracts, besides other service contracts such as IT contracts and consulting contracts. Any contract with third parties is governed by the Outsourcing Regulation for Insurance and Reinsurance Companies and Insurance Service Providers issued by SAMA, requiring that insurers and insurance service providers seek SAMA approval prior to undertaking any material outsourcing. As of the date of this Prospectus, the Company entered into 153,192 contracts with third parties in the field of insurance, and the total value of such contracts reached 2,397,019,901 Saudi Riyals. The Company also entered into 80 contracts with third parties in non-insurance fields, and the total value of such contracts reached 15,332,717 Saudi Riyals.

The Company relies on the ability of these parties to provide continuous and reliable services, especially when it comes to IT services, settlement of medical claims, and actuarial consulting services. The Company's ability to grow and meet the needs of its clients is based on its ability to rely on effective and experienced external sources to perform a number of functions or specialized services. However, there is no assurance that these parties will provide the level of services expected by the Company. In addition, the Company neither has any direct operational or financial control over its major service providers or outsourcing partners, nor can it predict with certainty the unexpected termination of any outsourcing contracts.

If the Company or contracted parties fails to comply with the terms of these contracts, or in case of any future litigation or proceedings in which the Company is the losing party, or in the absence of SAMA approval in accordance with Outsourcing Regulation for Insurance and Reinsurance Companies and Insurance Service Providers, there may be a material adverse impact on the Company's business, results of operations, financial position and prospects (please refer to Subsection 10.4 "Summary of Material Contracts" of Section 10 "Legal Information").

### 2.1.10 Risk of reliance on brokers and agents

The Company's ability to continue to distribute its products and services depends largely on insurance brokers and agents. As at 31/12/2020G, total insurance premiums subscribed through brokers amounted to SAR 708,579, representing 34.0% of total subscribed premiums. The Company contracts with over 75 brokers (please refer to Subsection 10.4.2 "Insurance Brokerage Agreements" of Section 10 "Legal Information").

The Company uses brokers and agents managed and operated by third parties without the Company's involvement. Therefore, there is no guarantee that the operators of these agents or brokers will continue to supply such services, for example, in the event of expiration or termination of the contract for any reason. Furthermore, there is no assurance that these brokers and agents contracted by the Company will provide services according to the Company's expectations pursuant to their signed contracts.

If contracts with the brokers or agents are not renewed, or if the Company fails to timely replace such brokers and agents, or if the Company incurs significant costs, or if such replacement causes the Company to incur significant damages or disrupts the Company's operations, or if the Company fails to maintain strong relationships with these brokers and agents, there may be a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.11 Risks related to reliance on key personnel

The Company relies heavily on the expertise, technical know-how and business capabilities of its employees, including senior management, key sales staff, actuaries, and employees involved in client service, electronic security, underwriting and claim management, and maintenance of client relationships. Thus, the Company's success depends to a large extent on its ability to ensure retention of a competent management team and key employees, find replacements in case such staff leaves the Company, and recruit, maintain and motivate qualified personnel.



Moreover, competition for highly experienced employees is intensive in the Saudi insurance sector. In order to retain talents and competencies, the Company may need to provide higher remuneration or other benefits, but it is not immune against the negative impact on its business resulting from the loss or dismissal of key personnel.

If the Company fails to retain key personnel or recruit new qualified staff to support growth of its business, this would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

#### **2.1.12 Risks related to employees' misconduct or error**

The Company may not always be able to prevent its employees from committing any misconduct, such as unlawful activities, misuse of information or regulations, disclosure of confidential information, participation in the dissemination of misleading information or non-compliance with internal regulations, which may cause the Company to incur losses, penalties or financial burdens or ill-repute. Any such misconduct may subject the concerned person to proceedings or termination of the employment contract as a result of violation thereof. Any fines, penalties or claims can affect the profitability of the Company. In addition, negative publicity regarding employees' misconduct may affect the Company's reputation and revenues, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

#### **2.1.13 Risks related to fraudulent insurance uses, claims and other activities**

The Company is exposed to internal and external fraud from various sources, such as its suppliers, brokers, clients and other parties. This includes fraud to the insurance policy (i.e. insurance application form) and fraudulent claims. Thus, the Company is vulnerable to risks from clients making false statements or their failure to fully disclose covered risks prior to underwriting, risks from policyholders filing fraudulent or excessive claims, as well as risks related to fraud, such as the fraudulent use of confidential information related to the Company. Such risks include the risk of payment default. In addition, the techniques used to practice fraud are constantly evolving, making it difficult to detect cases of fraud. It is worth noting that the company has previously been exposed to fraudulent practices by some of its agents, and the company has terminated the agreements with those agents and has also filed a lawsuit against one of those agents, Al Areen Insurance Agency (please refer to Subsection 10-5 "Disputes and litigation" of Section 10 "Legal Information").

Fraudulent acts involving any aspect of the Company's business may damage the reputation and trademarks of the Company, which may have a material adverse impact on the Company's business, results of operations, financial position and prospects.

#### **2.1.14 Risk of access to adequate financing**

The Company's ability to secure financing for its business depends on several factors, including those related to its ability to obtain regulatory approvals, its financial position and creditworthiness. In the future, if the Company needs to obtain additional financing for expansion of its activities and products, enhancement of its ability to fulfill its obligations, or improvement of its solvency, it may face difficulties in obtaining sources of adequate financing and, if obtained, they may be at higher costs and unfavorable terms. If the Company needs to increase its capital to obtain additional financing, the shareholding of current shareholders may decrease. Consequently, any problems accessing adequate financing may have a material adverse impact on the Company's business, results of operations, financial position and prospects.

#### **2.1.15 Investment risks**

The Company's operations and results are partly based on the performance of its investment portfolio including bank cash, short term deposits, time deposits, SAR-denominated mutual funds registered with Tadawul, bonds and sukuks, investments and discretionary portfolios. Investment results are subject to a variety of investment risks, including risks related to general economic conditions, market volatility, changing interest rates, liquidity and credit risk, as well as political conditions. The inability of the Company to balance its investment portfolio and its suitability with its financial obligations will force it to liquidate its investments at unfavorable times or prices. The investment portfolio is subject to regulatory constraints and unavailability of certain financial products, such as derivatives, which can reduce the diversification of different asset classes, and which may result in reduced returns on investments. Managing these investments also requires an effective management system and a strong ability to select and diversify high-quality investments. The Company's failure to do so may result in lower returns on investments, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

#### **2.1.16 Risks related to inadequacy of provisions and reserves**

The Company shall maintain provisions to meet and cover financial liabilities in accordance with Article 69 of the Cooperative Insurance Companies Control Law. Such provisions include:

- Unearned premiums provisions
- Unpaid claims provisions
- Claim expense provisions
- Incurred but not Reported ("IBNR") Claim provisions
- Unexpired risk provisions



- Disaster provisions
- General expense provisions
- Provisions related to protection and savings insurance, e.g. disability, ageing, death, medical expenses...etc.

The size of the Company's reserves is estimated and based on expected trends in the volume of claims and their frequency according to the data available at the time. The process of maintaining appropriate claim reserves is inherently uncertain due to the difficulty and complexity of making the necessary assumptions on which reserves are calculated. The table below includes the company's balances of provisions and reserves as of 31/12/2018G, 31/12/2019G and 31/12/2020G:

**Table No. (2.1): Details of Company's Provisions and Reserves**

SAR Million	As of 31/12/2018G	As of 31/12/2019G	As of 31/12/2020G
Net technical provisions	1,450	1,323	1,379
Doubtful debts provisions	528	491	287
End of service provision	25	27	24
<b>Total provisions</b>	<b>2,003</b>	<b>1,841</b>	<b>1,690</b>

The size of the Company's reserves depends on future estimates and might prove to be inadequate in any period. In case the actual claims exceed the claims reserve, the Company would have to increase its reserves. Consequently, reserves allocated to meet insurance policy claims may prove to be inadequate, and as such the Company might need to increase its reserves, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.17 Reinsurance risks

In the framework of its risk mitigation and capital management strategy, the Company needs to reinsure its insurance portfolio to reduce certain risks to which it may be vulnerable, particularly with regard to motor insurance and other insurance products. Under these reinsurance arrangements, the Company transfers the risks covered by the insurance policies to the reinsurer, or these risks are borne by the reinsurer requesting insurance premiums in return for providing reinsurance. In addition, the company, based on its activity, must reinsure its insurance portfolio in accordance with Paragraph (2) of Article 40 of the implementing regulations for Cooperative Insurance Companies Control Law issued by SAMA. The company must reinsure at least 30% of the total subscriptions within the Kingdom upon reinsurance.

The Company's ability to contract with reinsurance companies at appropriate costs is subject to several factors, which are usually beyond the Company's control, such as market conditions, which determine the availability and cost of appropriate reinsurance, as well as the receipt of amounts due from future reinsurers, and the financial strength of reinsurers. Similar to the insurance sector, the reinsurance industry is a cyclical sector with significant market losses, which would have a material adverse impact on reinsurance costs, terms and availability of reinsurance, and the ability of reinsurers to pay claims filed against them. In addition, risk appetite may change among reinsurers, which may result in price volatility or a desire to reinsure some future risks. Additional regulatory changes to reinsurance may result in inconsistency between the statutory requirements of the insurer and the coverage available to reinsurers. In the event of any of these incidents or significant changes to reinsurance costs, the Company may have to incur additional reinsurance expenses, obtain reinsurance on unfavorable terms, or may not be able to obtain appropriate reinsurance coverage. Thus, the Company would be exposed to an increase in retained risks which could result in an increase in losses.

In case the Company's reinsurers do not offer to renew their products and services for any reason, there is a risk that the Company will not be able to find an alternative cover for previous reinsurance agreements at an acceptable price. Moreover, the Company may also be exposed to reinsurance losses during any period between termination of existing agreements and initiation of any alternative ones. Where there is any default by the Company's key reinsurers, the Company will also be subject to significant losses, which would have a material adverse impact on its financial position and the results of its operations.

### 2.1.18 Risks of reinsurance concentration

The Company deals with a number of reinsurers to insure the Company's insurance portfolio, which may expose them to the risk of default. As of the date of Prospectus, the number of quota-share reinsurance agreements with companies reached 10 agreements, with a total value of 704,295,867 Saudi Riyals, and the number of excess of loss reinsurance agreements with companies reached 5 agreements, with a total value of 55,755,083 Saudi Riyals. These reinsurers include R+V RE and Hannover RE (foreign companies), representing a total of 35% of treaty reinsurance premiums as of 31/12/2020G.

In the event of insolvency, bankruptcy of, or hardship faced by reinsurers as a result of their failure to meet the terms and conditions of the agreements signed therewith, there will be a material adverse impact on the Company's business, results of operations, financial position and prospects.



### 2.1.19 Poor assessment of Risks

The Company studies potential risks before issuing insurance policies to the applicants based on the actuary's report. However, if the Company misjudges potential risks when issuing insurance policies, it will incur financial losses that affect its performance ahead. This shall have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.20 Risks related to acquisition of an insurance portfolio

As for any acquisition by the Company of an insurance portfolio, assessment of the acquisition is subject to review by an independent committee appointed by SAMA to ensure compliance of the auditor and the actuary with SAMA's criteria for assessment of to-be-acquired insurance portfolios. Completion of the acquisition requires final approval by SAMA of the terms and conditions of the sale and purchase agreement of the insurance portfolio. As of the date of this Prospectus, the Company has not engaged in any acquisitions. If the Company wishes to acquire an insurance portfolio in the future, it will have to obtain SAMA's approval of the terms and conditions of the sale and purchase agreement of the insurance portfolio, in addition to the approval of the Shareholders' General Assembly, and it may also pay prices exceeding the book value of the insurance portfolio, affecting its profitability, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.21 Risks related to the Company's financial performance

The Company presented its action plan to SAMA with the aim of increasing its share capital. This study is based on assumptions, the most important of which involves the renewal of approvals for current products, and expectations related to claims and future operating costs. If the Company does not obtain the necessary approvals for its existing products or if future results differ from the expected results, such difference may have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.22 Risk of cancellation or non-renewal by policyholders

The Company operates in a competitive insurance market. As the term of insurance policies issued by the Company are generally short, the Company may not be able to continue renewing insurance policies in the future. In case of non-renewal or cancellation of policies by policyholders, the level of the Company's written premiums in the coming years would be adversely materially affected, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.23 Risks related to translation of insurance policies

Some of the Company's insurance policies are written in Arabic and translated from English internally by the company without using external translators. However, the translation of some items of the insurance policies offered by the Company are not accurate in clarifying some of the terms contained therein, which could lead to a dispute between the parties over the interpretation of the meaning of the policy. Courts in the Kingdom of Saudi Arabia rely on the Arabic text in the event of any dispute arises between the Company and clients, which may lead to Company-client disputes, and as such would adversely affect the Company's business, results of operations, financial position and prospects.

### 2.1.24 Risks related to risk management policies

The Company develops risk management policies with the approval of the Board of Directors, and then submits the same to SAMA together with its annual financial report, for annual approval. However, the Company may not be able to accurately predict future risks. Furthermore, the Company's policies, procedures and internal controls may not be fully effective in all conditions and circumstances. These policies may not also be fully or correctly applied, which would result in the Company obtaining insufficient information to assess its exposure to risks on a sound basis. As such, the high level of risk to which the Company is exposed to as a result of the same, would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.25 Risks related to failure of IT systems or violation of security measures

The Company's IT systems support all aspects of the business and are essential in providing the company's services to its clients. Heavy reliance of the insurance sector thereon increases the vulnerability of insurers - including the Company - to piracy and cyber-attacks as well as intentional data, networks and software breaches. Furthermore, the increased use of cloud data storage services may increase the likelihood that the Company will be at risk of IT failure in general. For example, an electronic attack on the insurance network may result in the Company failing to provide services to its clients, which could damage its reputation, cause loss of revenue, or expose it to financial penalties. Any failure to protect or properly use the data may result in the loss of client data or unauthorized access.

The Company's IT systems are also vulnerable to other external and internal risks, such as malware, code defects, attempts to hack the Company's network, lack of required updates or modifications, data leakage and human error, all of which pose a direct risk to the Company's services and data. Other threats include hardware failure, physical attacks, client information theft, fire, explosion, flooding, severe weather, power outages and other problems that may occur during network upgrades or other major changes, as well as suppliers' failure to meet their obligations to provide the company with up-to-date IT systems.



In the event of a partial or total breakdown of any of the ICT systems, the Company's business activities may cease or become severely affected. In addition, any system failure, accident or hacking can disrupt the Company's operations or affect its ability to provide services to its clients, thereby negatively affecting its revenues and operations. These disturbances may also affect the Company's image and reputation, and reduce client confidence, resulting in the loss of some of its clients. In addition, the Company may incur additional costs to remedy any damage caused by such disturbances, and, in all such cases, there will be a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.26 Risks related to claims, disputes and litigations

In the normal course of its business, the Company may be exposed to lawsuits and litigation relating to insurance operations and disputes and claims relating to the insurance coverage with third parties, including policyholders. As a result, the Company may be subject to legal claims made by government bodies and departments, as well as investigations within the framework of new controls on the insurance sector in force in the Kingdom. In such cases, the Company cannot predict the results of these claims, disputes, or lawsuits, and cannot predict the financial impact thereto on the Company.

In the course of the Company's business, some policyholders filed lawsuits and claims against the Company regarding to its insurance operations, and disputes and judicial claims related to the insurance cover. As at the date of this Prospectus, there are:

- 8 Judicial claims in the Health Insurance Sector for a total amount of SAR 1,345,816.79.
- 191 judicial claims in the Vehicle Insurance Sector for a total amount of SAR 21,726,083.52.
- 4 Judicial claims in the General Insurance Sector for a total amount of SAR 437,930.39.

It is worth noting that the Company is a party to lawsuits that are not related to insurance disputes that would materially affect its business or financial position. The company is a plaintiff in a lawsuit with a value of SAR 21,766,297. The company filed a lawsuit on 04/22/1439H against the former CEO and Managing Director (defendant) based on his responsibility for an amount of SAR 174,309,591, which represents the Company's dues resulting from reinsurance operations performed through other companies that are affiliate to the defendant and under his control (please refer to Section 10 "Legal Information").

A judgment rendered against the Company in any of its current disputes (or in any future litigation or dispute) will materially and adversely reflect on the Company's business, results of operations, financial position and prospects.

Furthermore, regardless of the outcome of any regulatory action or legal proceedings, the latter may cause significant costs, not to mention allocation of significant resources by the Company to defend itself, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.27 Risks related to brand protection

The Company's ability to market its insurance products and develop its business depends on the use of its name and brand, "MEDGULF". It is worth mentioning that Medgulf Bahrain owns trademarks "MEDGULF", registered with the Ministry of Commerce under Nos. 27/766 and 25/766 in Arabic and English under Class 36 related to insurance services.

As of the date of this Prospectus, there is no written contract between the parties authorizing the Company to use the trademark, which exposes the Company to a number of risks, including claims for infringement on intellectual property rights or unauthorized use of the trademark owned by Medgulf Bahrain, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

The Company is also vulnerable to a number of risks, including lawsuits, employee misconduct, and operational failures, or as a result of investigations, or legal proceedings, the reputation of the Company's partners or one of its competitors, articles published in the media, or bad publicity, whether true or false, which may affect "MEDGULF" trademark and its reputation. The Company's efforts to improve that recognition and reputation, including large investments in marketing campaigns, may not have the desired effect. The Company may also be subject to potential damage to its reputation and "MEDGULF" trademark due to poor performance in client service or client dissatisfaction with products, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.28 Risks related to credit ratings

As of the date of this Prospectus, the Company has a credit rating of (B1) according to Moody's credit rating agency. But there is no guarantee that Moody's will not reduce that rating to below the insurance market norm, which will affect the Company's business.

In addition, pursuant to the provisions of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the Company should select reinsurers with a minimum of a BBB rating according to Standard and Poor's (S&P) credit rating agency, a B+ rating by A.M. Best or an equivalent rating from a recognized international rating agency. The Company must obtain SAMA's written approval if it wishes to deal with reinsurers not authorized by SAMA or that lack the minimum required rating, or in case the reinsurers' rating is reduced while dealing with the Company. If the Company fails to receive SAMA approval, it should discontinue the reinsurance arrangement with said low-rated companies, which will increase the





Company's burdens and expose it to further risks, including the inability of said low-rated reinsurers to fulfill their obligations towards the Company, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.29 Risks related to claim management

Pricing of the Company's insurance products and claim reserves depends on efficiency, and the relative period in which the claims will be reported, processed and paid. Efficient and effective claim management relies upon, among other things, well-trained staff making accurate and timely decisions regarding claim processing. Inefficient management and payment of claims could lead to such matters as incorrect compensation and erroneous decisions on the establishment of claim reserves/ payments, increased fraud, and incorrect management information on the reserve and pricing, resulting in additional claims, costs and expenses related to claim processing, as well as the increased risk associated with technical claims and/or inappropriate pricing models. Such risks become aggravated when the period between the filing of the claim and payment thereof is prolonged.

If claim management procedures adopted by the Company prove to be inefficient or ineffective, or if the Company is subject to costs or expenses beyond the expected rates, the Company may have to change pricing models and/or increase prices, which may result in loss of business and an increase in technical claims. These additional costs or inflation impacts may harm the Company's profitability, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.30 Risks related to changes in the Shariah Board's opinion

The Company has a Shariah Board regulating the Company's insurance products and legislation, and providing Shariah opinion on its products to clients, as requested. Therefore, in the event of a difference in Shariah opinion or in raising any subject about the extent of compliance of existing Shariah Board-approved products, the Company's sales to certain clients will be adversely affected, which would, in turn, have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.31 Risks related to key vacant positions

The Company has a number of key executive positions that are vacant as of the date of this Prospectus.

In the case of vacant positions, the Company may delay hiring required qualified and experienced staff as candidates for such positions, which would adversely affect the company's ability to implement its own strategies.

### 2.1.32 Risks related to currency exchange rates

Exchange risks are the result of financial investments fluctuations due to changes in foreign exchange rates. Companies often encounter exchange risks when dealing with international parties in the latter's' currencies.

The Company's operations are mostly conducted in the Saudi Riyal and its revenues are generated from local markets in the local currency. In the event the Company collects any amounts from the sale of its products or foreign dealings in foreign currencies, it may encounter exchange risks and unexpected major fluctuations in exchange rates, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.1.33 Risks related to Company governance

The Corporate Governance Regulations were issued by the CMA Board Resolution No. 8-16-2017 dated 16/5/1438H (corresponding to 13/2/2017G) in accordance with the Companies Law promulgated by Royal Decree No. (M/3) dated 28/1/1437H, as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G). The new Regulations include mandatory clauses which are more stringent than those in the old regulations.

The Company has updated its Governance Manual, in compliance with all requirements provided in the Corporate Governance Regulations issued by CMA and the Corporate Governance Regulations issued by SAMA, and such Manual was approved by the board on 01/10/2018G. The Company complies with all provisions of the Corporate Governance Regulations issued by the CMA. The Company's failure to comply with Corporate Governance Regulations may expose it to CMA penalties, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

The Company is also subject to all provisions of the Corporate Governance Regulations issued by SAMA. SAMA may impose fines on the Company if the Company, represented by its board of directors and executive management, fails to apply the best governance practices. It should be noted that SAMA issued a letter prohibiting the Company from issuing any new policy and renewing existing policies given that the Company did not meet the solvency margin requirements as of 31/12/2017G. On 16/4/2018G, the prohibition was lifted, thus allowing the Company to issue and renew insurance policies as of 17/4/2018G, provided that the Company:

- First: Complete capital increase procedures to the extent required to address the solvency margin before 31/10/2018G.



- Second: Apply best governance practices, represented by Board of Directors and Executive Management.
- Third: Continue to provide SAMA with a weekly report on the measures taken in this regard

In case the Company fails, in the future, to comply with all the regulations and instructions issued by SAMA related to insurance sector and the CMA regulations, rules, requirements and implementing regulations, it will be subject to fines and penalties that may be imposed by SAMA and/or CMA and/or any other regulatory competent body, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

#### **2.1.34 Risks related to non-application of loss limits or exceptions to the Company's insurance policies**

The Company may not be able to apply, as it sees fit, different provisions of its insurance policies, such as loss limits or exceptions to negotiated coverage to reduce the risk of such policies. The Company uses a variety of insurance policies to reduce exposure to known risks. With the change of sector practices, or legal, social and other circumstances, unexpected and unintended problems related to claims and coverage may arise, which may adversely affect the Company's business either by extending coverage beyond the Company's expectations or by increasing the volume or number of claims. It is extremely difficult to predict the effects of problems with claims and coverage, and this may cause harm to the Company's business.

Many of the Company's insurance policies also contain conditions requiring immediate notification of claims and the Company's right to reject coverage in case of violation of this condition, in addition to restrictions limiting the period in which the policyholder may sue the Company for contract breaches or any other claim. A court or regulatory authority may repeal or invalidate any exception. In addition, legislation limiting the use of insurance policy annexes and loss limits may be issued in a manner that adversely affects the Company's losses, which may have a material adverse impact on the business, financial position or results of operations. In some cases, such changes may become apparent only after the Company issues the policies affected by those changes. As a result, the full scope of liability under the Company's insurance contracts may not be known for many years upon the issuance of the contract.

#### **2.1.35 Risks related to disasters or interruption of business**

Similar to all insurers, the Company is exposed to losses resulting from unpredictable events that may affect many of the risks covered by the Company, particularly large-scale weather events with respect to motor insurance or epidemics on a large scale in the case of health insurance. Other events that may affect the Company and insurance policies involve natural and non-natural events, including, but not limited to, sandstorms, floods, hot weather and other weather-related events, earthquakes, in addition to man-made disasters such as civil unrest and terrorism.

The magnitude of the Company's losses as a result of these catastrophic events depends on the frequency and severity of each event and the reinsurance arrangements laid down by the Company. In spite of the Company's efforts to limit its exposure to these events, to determine an appropriate price, or to establish appropriate conditions for risk insurance, these efforts may be in vain. In addition, the government or sector programs may change, leading to price risks and in case the company fails to price its products properly, or this may lead to reputation risk If the company suddenly has to change pricing or insurance coverage.

In addition, any disaster that may impact the Company's offices or any other sites would adversely affect the Company's business, results of operations, financial position and prospects.

#### **2.1.36 Risks Related to Anti-Money Laundering and Anti-Terrorism Regulations**

The company is currently compliant with the anti-money laundering and anti-terrorism financing regulations issued by SAMA, anti-money laundering and terrorism financing rules for insurance companies, anti-money laundering law and its implementing regulations, anti-terrorism crime and financing law and its implementing regulations. Such regulations set the procedures to be taken when accepting any client (an individual or a company), the due diligence procedures to be followed, in addition to the procedures for reporting suspicious operations, etc. The company is currently saving clients' information using its computer systems. Failure to comply with the Anti-Money Laundering and Anti-Terrorism Financing Regulations exposes the company to legal accountability and thus leads to imposing fines and/or penalties that will be borne by the Company. On 08/11/1440H (corresponding to 11/07/2019G), SAMA imposed a fine of fifty thousand (50,000) Saudi Riyals on the Company due to the Company's failure to update the anti-money laundering and terrorism financing policy and failure to verify the criminal record before joining the job. The Company paid the fine on 07/17/2019G.

In case the Company fails to comply with Anti-Money Laundering and Anti-Terrorism Financing Regulations, the Company will incur penalties imposed by regulatory authorities, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.





## 2.2 Risks Related to Market and Industry

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

The Company is subject to applicable laws and regulations relating to the insurance sector in the Kingdom, including the Cooperative Insurance Companies Control Law and its Implementing Regulations. It is also subject to the supervision of SAMA, which is responsible for regulating the insurance sector in the Kingdom, including policies, rules, licensing, competition, investment allocation, service standards, technical standards and settlement arrangements. Since the Saudi insurance market is an ever-evolving emerging market, it may limit the Company's ability to respond to market opportunities, and may force it to bear significant annual expenses to comply with the regulatory laws and regulations. There can be no assurance that applicable laws or the regulatory framework will not change further or be interpreted in a manner that could materially and adversely affect the Company's results of operations. Also, if the Company fails to comply with applicable laws, regulations and instructions, it would be subject to regulatory penalties including fines, suspension of work, and withdrawal of its license to carry out insurance activities, which could adversely affect the Company's activities and results of operations. It is worth noting that the company failed to implement all the requirements provided in the cybersecurity framework issued by SAMA.

It should be noted that the following fines were imposed by SAMA during the previous three years as follows:

- A fine of 10,000 Saudi Riyals was imposed by SAMA in 2020G, for failing to apply precautionary measures to limit the spread of Corona virus.
- A fine of 120,000 Saudi Riyals was imposed by SAMA in 2020G, for violating SAMA instructions regarding due diligence in Anti-Money Laundering and Terrorism Financing.
- A fine of 50,000 Saudi Riyals was imposed by SAMA in 2019G, for failing to update Anti-Money Laundering and Terrorism Financing Policy and failing to verify the criminal record before joining the job.

Given that the Company is listed, it is also subject to the laws, regulations, and requirements of the Capital Market Authority and the Saudi Stock Exchange (Tadawul). The CMA requires listed companies to comply with the Rules on the Offer of Securities and Continuing Obligations, special instructions issued by the CMA and listing regulations issued by Tadawul, in particular the obligation to periodically disclose material and financial developments and the Board of Directors' report. Insurance companies are also obligated to announce their financial results in accordance with the forms approved by the CMA, which must include clear data on the surplus (deficit) of insurance operations, less the return on investments of policyholders, total written insurance premiums, net written premiums, net claims incurred, net profits (losses) of investments of policyholders, net profits (losses) of investments of shareholders' funds, and a comparison of such data with the corresponding quarterly or annual period. According to the Listed Companies' Continuing Obligations Guide, the annual financial results announced on Tadawul website must be derived from the audited financial statements approved by Company's external auditor appointed by the assembly and approved by Board of Directors. In addition, the declaration forms, included in the instructions for Companies' declarations of their financial results, must be adhered to, and the Company must also provide a statement of all the reasons and influences for the change in financial results of the current fiscal year with the comparison period so that the reasons include all items of financial results announcement.

It should be noted that the following fines were imposed on the company by the CMA during the previous three years as follows:

- Fines of 180,000 Saudi Riyals were imposed by the CMA in 2018G, for violating a number of provisions of the Listing Rules and the Corporate Governance Regulations, during the fiscal years from 2008G to 2017G.
- A fine of 20,000 Saudi Riyals was imposed by the CMA in 2018G, for violating Paragraph (a) of Article 62 of Rules on the Offer of Securities and Continuing Obligations, as the company delayed in informing CMA and the public of appointing a financial advisor to manage the subscription in rights shares, while the appointment took place on 11/04/2018G, it was not announced until 15/04/2018G.
- A fine of 20,000 Saudi Riyals imposed by CMA in 2018G, for violating Paragraph (5) of Article 63 of the Rules on the Offer of Securities and Continuing Obligations, as the company delayed in informing the CMA and the public of appointing Abdul Rahman bin Muhammad Al Zwaidi as CEO, while the appointment took place on 10/04/2018G, it was not announced until 01/05/2018G.
- A fine of 20,000 Saudi Riyals imposed by CMA in 2018G, for violating Paragraph (19) of Article 63 of the Rules on the Offer of Securities and Continuing Obligations, as the company delayed in informing the CMA and the public of the results of Ordinary General Assembly meeting held on 24/06/2018G, and its results were not announced until 25/06/2018G, after the market closed.

It should be noted that regarding solvency of public joint stock companies, on 23/01/1438H (corresponding to 24/10/2016G), CMA's Board Resolution No. 1-130-2016 was issued to amend the procedures and instructions for companies listed in the market whose accumulated losses amounted to 50% or more of its capital in light of the new corporate law, whose title has been amended into "Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or more of their Share Capital", as amended by CMA Resolution no. 1-77-2018 dated 05/11/1439H (corresponding to 18/07/2018G).



The CMA also obligates companies listed in the financial market to comply with regulations of instructions for the announcements of joint stock companies with shares listed in the financial market issued pursuant to CMA's Board Resolution No. 1-199-2006 dated 18/07/1427H (corresponding to 12/08/2006G) and amended by Resolution No. 1-104-2019, dated 01/02/1441H (corresponding to 30/09/2019G).

The Company's failure to comply with these laws, regulations, and requirements will expose it to penalties, including imposing fines and suspension of shares trading, up to cancellation of shares' listing in Saudi Stock Exchange (Tadawul), which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.2.2 Risk of withdrawal of the license to conduct the insurance business

The Company obtained a SAMA license to engage in its business on 29/8/1428H (corresponding to 11/9/2007G) and such license is renewable every three years.

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

- If the Company does not practice its licensed activities for a period of six months from the issuance date of the license;
- If the Company does not fulfill the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations;
- If it is established that the Company deliberately provided SAMA with false information in its licensing application;
- If the Company becomes bankrupt;
- If the Company deliberately conducts business in a fraudulent manner;
- If the paid capital of the Company falls below the prescribed minimum limit, or the Company does not fulfill the solvency requirements under the Implementing Regulations;
- If the insurance activity falls to a limit that SAMA deems unviable to operate under;
- If the Company, without just cause, refuses or delays payments of dues;
- If the Company refuses to have its records examined by the SAMA appointed inspection team; and/or
- If the Company abstains from implementing a final judgment against it in connection with any insurance dispute.

Should the license be withdrawn, the Company will not be able to legally continue conducting its business in Saudi Arabia. In addition, Shareholders may also lose all or part of their investments in the Company, which will adversely affect the Company's business, results of operations, financial position and prospects.

### 2.2.3 Risk of reporting requirements

The Cooperative Insurance Companies Control Law and its Implementing Regulations require the Company to periodically file with SAMA financial statements and annual reports prepared in accordance with official accounting standards, and other information, including information concerning 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 action, sanctions and fines if SAMA believes that the Company failed to comply with any applicable laws, regulations and directives. Any such failure to comply with applicable laws could result in significant penalties or the imposition of substantial restrictions on the Company's ability to conduct its business, which would have a material adverse impact on the Company's business, results of operations and financial position.

In addition, the Company may be subject to penalties and fines if it fails to fulfill the CMA requirements, and the Rules on the Offer of Securities and Continuing Obligations, as well as the Saudi Stock Exchange (Tadawul) disclosure obligations, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.2.4 Risks related to insurance market growth

The growth rate of the Saudi Arabian insurance market may not be currently as high and sustainable as expected by the company. In addition, the impact on the insurance industry in the Kingdom as a result of the increase in the number of insured, economic growth and population rise in the Kingdom of Saudi Arabia, the continued development in the field of social welfare, demographic changes, and the opening of the insurance market in the Kingdom to foreign companies are, in general terms, forward looking factors, that are uncertain and doubted, which would have material adverse effects on the Company's business, results of operations, financial position and prospects.



### 2.2.5 Risk related to nature of insurance sector and its instability

The insurance sector is unstable, which will affect the profitability of companies operating therein, including the Company. The insurance sector covers many risks (such as damage caused by fire, flooding, storms, motor accidents and thefts). These risks may occur at any time, and their occurrences and the extent of resulting damages are difficult to predict. The recurrence thereof is likely, which, if materialized would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.2.6 Risks related to historical market data

Although the Saudi market is not new to the concept of insurance, it has just recently been organized. Therefore, the required information and historical data to accurately build insurance programs have yet to be collected. As such, in their estimation of losses and assessment of premiums, insurers depend on assessments that are not necessarily at the required level of precision and are, to a certain extent, unreliable. Accordingly, the rate of risks for insurance portfolios might increase, resulting in losses to the Company, which would adversely materially affect the Company's business.

### 2.2.7 Risks related to lack of cultural awareness about the importance of insurance in the Kingdom of Saudi Arabia

Society's perception towards the insurance sector is a primary factor for its success. However, there are risks associated with society's perception of the insurance sector in general as it sees that the sector as either not playing a key role, or operating under the scope of services that do not comply with the principles of solidarity and Shariah. Society may lose confidence in the sector and this would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.2.8 Competition risks

The Company faces stiff competition with other insurers operating in the Kingdom of Saudi Arabia, given that the number of licensed insurers listed on Tadawul currently stands exceeded 30 companies as of the date hereof, that fiercely compete to increase their market share. Those competitors are currently offering, or may in the future provide, the same or similar products and services offered by the Company. Access to or targeting of markets where the Company operates, and in particular the health insurance and motor insurance markets by other insurers with greater financial resources, more widespread brands, greater price flexibility or risk appetite than the Company will adversely affect the Company's ability to acquire new clients or retain existing clients, which may have a material adverse impact on the Company's business, results of operations, financial position and prospects.

If the Company fails, or is proven to be unable, to effectively compete in the insurance markets in which it operates or for the products it offers, its competitive position will be adversely affected. In particular, the Company may, due to competitive pressures, among other things, have to reduce its prices, which may adversely affect its profit margins, financial results, financial position and capital requirements, or the Company may be forced to reduce its market share. which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

In addition, the Company's prospects for future growth depend on it gaining a market share at the expense of larger and more stable competitors in the market, many of whom have greater financial resources, a long and profitable track record, and stronger relationships with senior partners or greater capacity to provide resources than the Company.

In addition, changes in technology may pose a competitive risk. For example, the Company's innovations - such as use- based insurance - can affect product design and pricing, and this may become an important competitive factor. There are potential technological changes, such as self-driving vehicles or technologies that facilitate sharing vehicles or housing, which may significantly disrupt current client demand for the Company's products, or may materially affect the frequency of demand or risk of loss, and the Company may be unable to effectively respond to such matters. In addition, the competitive position of the Company may be affected by its ability to effectively deploy technologies to collect and analyze a variety of data points, as well as data-enriching technologies available externally and internally to facilitate decisions pertaining to coverage, claims or other such decisions, as well as the collection of information about companies and competitors with larger databases, through these data points. The Company's potential inability to adapt to the changes in technology and the increasing risks involved with competition would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.2.9 Risks related to changes in the behavior of Company clients

The Company may experience changes in the behavior of its clients and changes in the markets where it sells its insurance products. For example, changes in lifestyle, technologies, regulations or taxes may significantly alter actual or potential client needs for insurance as well as required insurance patterns. Changes in technology may also lead to new products entering the insurance market and insurance sales, such as motor insurance payments wherever the vehicle is located, or the development of new distribution channels that require further adaptation of the Company's business and operations.

These changes may result in reduced demand for the Company's products and may require the Company to expend energy, resources and considerable expenses to change its product offering, design new models that are suitable for the risk and



pricing, modify and/or renew operating and IT systems, and/or hire new employees. Changes in client behavior may result in increased client turnover, resulting in higher total costs and/or lower or no profit margins due to higher price pressures. These changes would have a material adverse impact on the Company's business, financial position and results of operations.

The Company is also exposed to changes in client behavior pertaining to the insurance underwriting method. The extent to which clients reduce their direct sales through traditional brokers and the Company's ability to adapt to such change, would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### **2.2.10 Risk related to obtaining necessary approvals for offering new products and renewal of existing products**

Based on the Cooperative Insurance Companies Control Law and its Implementing Regulations for offering new insurance products, the Company must obtain SAMA approval before marketing or offering any new products.

As of the date of this Prospectus, The Company has obtained SAMA approval for 58 products, all of which the Company currently provides. The Company has also applied for approval of additional products that are still under review.

Any delay in obtaining approvals for new products or renewal of approvals for current products, would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### **2.2.11 Risk related to non-compliance with Council of Cooperative Health Insurance (CCHI) regulations**

After being approved by SAMA, medical insurance products offered by the Company are subject to control by the Council of Cooperative Health Insurance (CCHI). CCHI requirements require compliance with conditions for the provision of medical products, including making available a specialist medical team to approve claims within a period not exceeding sixty (60) minutes. According to such requirements, insurers shall pay the amounts due to medical service providers (e.g. hospitals and clinics) within a period not exceeding thirty (30) days. The Company's failure to comply with CCHI requirements may result in penalties, including the withdrawal of the license to provide medical products, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### **2.2.12 Risks related to economic and insurance industry conditions**

The financial performance of insurers depends significantly on economic conditions in the Kingdom of Saudi Arabia and on global economic conditions that affect the Kingdom's economy. Unstable global economic conditions and a significant drop in oil prices may impact the Kingdom's economy. As the economic performance of the Company is somewhat tied to the development of the economy in the Kingdom and the world, the Company's financial results may be affected by such changes, which may result in decreased demand for the Company's products and services. In addition, premium and claim trends in insurance and reinsurance markets are cyclical in nature, and unpredictable events such as the occurrence of natural disasters, inflationary pressures, competition and judicial decisions may affect the size of future claims and adversely affect the profitability and returns of the insurance sector.

A drop in oil prices significantly affects domestic income, economic activity and individual income, and consequently affects the individuals' and companies' ability to obtain insurance products offered by the Company, thus lowering the Company's sales and negatively affecting its financial position, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

Exorbitant rental rates, caused by economic variables in the Kingdom, will lead to higher costs for the Company. Thus, the Company may change its branch locations to other locations. As a result, while effectuating such moves, the Company's business may slow down, which will, in turn, have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### **2.2.13 Risks related to restrictions on ownership of insurers**

The Cooperative Insurance Companies Control Law places certain restrictions on insurance company shareholding. According to Article 9 of the Cooperative Insurance Companies Control Law and Article 39 of the Implementing Regulations, insurers and reinsurers may not merge with, own, control or purchase shares in other insurers and reinsurers without SAMA's written consent. In compliance with Article 38 of the Implementing Regulations, the Company shall notify SAMA of the percentage shareholding of any person who owns 5% or more of the Company through a quarterly report developed by the Company, and the person itself shall notify SAMA in writing of its shareholding and any changes thereto within five (5) working days of the date of occurrence of such change.

These restrictions may, in some cases, impede the Company's ability to attract financial and strategic investors if SAMA denies or delays its approval, or places conditions that cannot be complied with, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.



### 2.2.14 Risks related to the insurance business cycle

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

### 2.2.15 Political risks

The tense political situation in the Middle East may have a negative impact on the Kingdom's economy, as well as on clients' desire to renew business with the Company and the Company's own ability to obtain new clients. Such risks would have a negative impact on capital markets and could lead to a substantial negative impact on the Company's share price and the investor's loss of all or part of the value of their investment, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

### 2.2.16 Risks related to non-compliance with Saudization and The Saudi Ministry of Human Resources and Social Development requirements

The Saudi Ministry of Human Resources and Social Development has launched the "Nitaqat" Program, which is designed to encourage companies to employ Saudi nationals and increase the percentage of Saudi employees in the labor force. According to this Program, the Company's commitment to Saudization requirements is measured against the percentage of Saudi nationals in the labor force compared to the average Saudization rate in companies operating within the same field.

As of 31/12/2020G, the Company achieved a Saudization percentage of 66%, and is therefore classified under the "High Green" category of the Nitaqat Program. However, there is no guarantee that the Company will continue to maintain the required Saudization percentage within the limits prescribed by law. The Company may be subject to penalties if it fails to comply with the decisions issued in this regard, including suspending the issuance of new work visas for foreign employees needed by the Company, and/or ceasing sponsorship transfers for non-Saudi employees and/or excluding the Company from applying for government tenders, which will adversely affect the Company's business and results of operations..

### 2.2.17 Risks related to lack of qualified local staff in the insurance industry

The Saudi labor market may not meet the Company's need for qualified employees. If the Company fails to attract qualified staff from the local market, it would need to recruit staff from outside the Kingdom. However, there are no assurances that the Company will be able to obtain a sufficient number of required work visas from the Ministry of Labor in the Kingdom, especially in light of the Saudization requirements, which will lead to extreme competition among insurers in the Kingdom to train and qualify their cadres and qualified staff from the local market, resulting in an increase in wages that may impose an additional burden on the Company. In addition, the Company's inability to attract and retain qualified staff will impede the implementation of its strategy, which would have a material adverse impact on its business, financial position, and results of operations.

### 2.2.18 Risks related to non-Saudi employees

The Saudi Government has taken measures and procedures to regulate the employment of non-Saudi workers according to the Labor Law and Residency regulations, under which it seeks to take action against companies and foreign employees who do not work for the sponsoring employers or carry out work that does not match their job titles as listed on their residency permit.

The imposition of fines or penalties on the Company in case of non-compliance with applicable labor regulations, Bylaws and instructions in this regard would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

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

The Company is committed to following the recommendations of actuary expert and SAMA instructions with respect to pricing insurance policies, which may require changes in the prices of Company's policies. The high price of the Company's products will lead to a lack of attractiveness, the loss of current clients, and directing them to other companies. Any future price change would have a material adverse impact on the Company's business, results of operations, financial position and prospects.





## 2.2.20 Risks related to non-compliance with statutory retention requirements

Article 40 of the Implementing Regulations of Cooperative Insurance Companies Control Law requires insurance companies to retain at least 30% of total premiums. The Company recorded retention rates of 87.1%, 71.8% and 62.6% for the years ended 2018G, 2019G, and 2020G, respectively.

In compliance with Article 21 of the Cooperative Insurance Companies Control Law, SAMA may impose a penalty of one million Saudi Riyals (SAR 1,000,000) on companies failing to comply with the required retention ratio. Therefore, if the Company failed to comply with the retention ratio of 30%, the Company will be subject to such a penalty, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects.

## 2.2.21 Risks related to VAT

The Kingdom issued Value-Added Tax Law, which entered into force on 01/01/2018G. This Law imposes an added value of 5% on a number of products and services, as specified in the law. An increase of VAT rate from 5% to 15% was approved on 18/05/2020G, which entered into force on 01/07/2020G. Accordingly, the company has to adapt to the changes resulting from the application of VAT, includes its collection and payment. Any wrongful termination or application of tax law by the company's management will lead to imposing fines or penalties or lead to damage to the company's reputation, which will also increase costs and operating expenses, which could reduce the company's competitive position and level of demand for its products, which would have an impact on company's operations and its prospects.

## 2.2.22 Risks related to the regulatory environment

The Company's business is subject to regulations applicable in the Kingdom of Saudi Arabia. The regulatory environment in which the company operates may be subject to change. In addition, regulatory changes caused by political, economic, technical and/or environmental factors could significantly impact the Company's operations by restricting the development of the Company or its clients, reducing operations and sales of the Company's services or increasing the potential for additional competition. The Company may deem it necessary or advisable to modify its operations in order to operate in compliance with such regulations and, in the process, may incur additional costs, which would have a material adverse impact on the Company's business, results of operations, financial position and prospects. In addition, failure to comply with such laws and regulations will result in administrative or criminal sanctions or the suspension or termination of the Company's operations.

## 2.3 Risks Related to Shares

### 2.3.1 Risks Related to liquidity and fluctuation in the price of Shares

Investors may be unable to resell their shares (including Rights Shares) at or above the Offer Price. The market price of shares may, after the Offering, be adversely affected by factors within or outside the Company's control, including, but not limited to, a change in the Company's operating results, market conditions, or government regulations.

Eligible shareholders must recognize that the value of an equity investment (including Rights Shares) may decline or rise, and the market price of equities may be volatile and subject to significant fluctuations due to changing market sentiment in terms of equities. From time to time, equity markets have experienced large fluctuations in prices and volume, which affected the market prices of securities but were not relevant to the Company's performance or the prospects of its activities. Furthermore, the Company's operating results and prospects may from time to time be less than those of market analysts and overall market conditions. Any of these events may lead to a decline in the market price of equities.

### 2.3.2 Risks of potential fluctuations in the price of Rights Issue Shares

The market price of Rights related to the Company's shares may significantly fluctuate due to changing trends in the Saudi Stock Exchange (Tadawul). These fluctuations may be significant due to the difference between the authorized price change limit for trading in price of Rights (i.e. (10.0%) more or less than closing price for the previous day), as compared to the authorized price change limit for trading in the Company's Shares. Furthermore, since the price of Rights depends on the Company's trading price and the potential market price of the Rights Shares, these factors, in addition to the aforementioned liquidity and volatility factors, may affect the price of Rights. The sale of a large number of shares on Tadawul, or expected sale of a large number thereof, would have an adverse impact on Tadawul's share prices in general and the Company's shares in particular.

### 2.3.3 Risks related to lack of demand for the Company's Rights and shares

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



### 2.3.4 Risk related to a failure to distribute dividends

Dividend distribution in the future will depend on a number of factors, including the financial position, future profits, capital requirements, distributable reserves, general economic conditions, and any other related factors which the Board of Directors deems important from time to time. As such, the Company does not guarantee the distribution of any future dividends.

### 2.3.5 Risks related to dilution of ownership

If Eligible Shareholders do not subscribe to the Rights by the end of the subscription Period, their shareholding percentage and voting rights will be reduced. Eligible Shareholders subscribing to all the Rights by the end of the Subscription Period may be subject to a reduction in their shareholding in the Company, as their entitlements will be rounded to the nearest whole number of Rights Shares. However, these Shareholders will still be able to subscribe to additional Rights that will enable them to maintain or increase their proportionate shareholding in the Company. There is also no assurance that Eligible Shareholders who have not sold their Rights during the Trading Period will receive sufficient compensation for lower ownership in the capital of the Company as a result of increased capital.

### 2.3.6 Risks related to trading in Rights

Speculation relating to the Rights Issue may cause material losses. The price change limit allowed for the trading of the Rights (the indicative value of the share) exceeds the percentage of the shares' prices (by 10% upward or downward). There is also a direct correlation between the Company's share price and the share's indicative value. Accordingly, the daily price limits for the trading of a Right will be affected by the daily price limits for share trading.

When a speculator fails to sell the Rights before the end of the Trading Period, it will be forced to exercise these Rights to subscribe for Rights Shares and may incur some losses. Thus, investors should review the full details of the mechanism for listing and trading Rights and New Shares and the functioning method thereof. In addition, they should be aware of all the factors affecting them, to ensure that any investment decision is based on complete awareness and understanding.

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

The subscription period will start on 10/04/1443H (corresponding to 15/11/2021G) and end on 20/04/1443H (corresponding to 25/11/2021G). Rights holders and financial brokers representing them should take the appropriate exercise measures to comply with all required instructions for rights and certificates to be received prior to the expiry of the subscription Period. If the Rights holders and financial brokers are not able to properly comply with the procedures for subscription to the Rights, the Subscription Application Form may be rejected (please refer to Section 13 "**Details on Shares and Offering Terms and Condition**"). If the Eligible Persons are not able to exercise their subscription rights properly by the end of the subscription Period, according to the Rights held thereby, there can be no assurance that compensation will be distributed to the Eligible Persons who failed to subscribe or did not properly follow subscription procedures, which will in turn lead to a decrease in their shareholding.

### 2.3.8 Risks related to future statements

Some of the data in this Prospectus is comprised of forward-looking statements that contain known and unknown risks and some uncertainties that affect the Company's results. This data includes, but is not limited to, information on the financial position, business strategy, plans and future objectives of the Company (please refer to Section 4 "**Overview of the Company and Nature of its Business**" and Section 6 "**Management's Discussion and Analysis of Financial Condition and Results of Operations**") (including the Company's development plans and business objectives). If any of the assumptions are incorrect or invalid, the actual results may differ materially from those reported in this Prospectus, which would result in investors losing their investment in the Company's shares.

### 2.3.9 Risks related to shareholders' poor awareness of the trading mechanism and exercise of Rights

The trading of Rights comprises a new market for investors on Tadawul. Many investors may not know much about the mechanism for trading such Rights, which will adversely affect their willingness to invest in and trade in such Rights. Accordingly, investors' shareholding in the Company will decrease, which will cause harm to those who have not exercised their subscription rights, especially if no compensation is distributed thereto when investors fail to offer high enough prices for the Rump Shares.

### 2.3.10 Risks related to the possibility of issuing New Shares in the future

The Company currently has no future plans to issue new shares (other than rights shares provided herein). However, if the company decides to increase its capital by issuing new shares, and the existing shareholders fail to exercise their rights when issuing new rights, their ownership of shares will decrease proportionately and the same applies to their voting and dividend rights. Any additional offering may have a material impact on the shares' market price.





### 2.3.11 Risks related to the uncertain compensation of Eligible Persons

The Subscription Period will start on 10/04/1443H (corresponding to 15/11/2021G) and end on 20/04/1443H (corresponding to 25/11/2021G). Eligible Persons and financial brokers representing them shall take appropriate measures to comply with all the required instructions and to subscribe to the Rights Shares before the end of the subscription Period. Where Eligible Persons are not able to properly exercise their subscription rights by the end of the subscription Period, according to the Rights held thereby, there can be no assurance that compensation will be distributed to the Eligible Persons who failed to participate or properly subscribe to the Rights Shares.



### 3. Overview of Saudi Insurance Sector

The Saudi Insurance Sector is one of the pillars of the Financial Services Sector, as it provides a tool for hedging and transferring risks, and encourages long-term savings, which makes it one of the most important factors for advancement of the national economy. The Saudi insurance sector consists of 30 companies, operating in insurance or/and reinsurance. SAMA is the supervisory authority responsible for insurance sector in the Kingdom, as it continuously updates and develops laws, regulations and instructions in line with changes in the sector in particular, and with the economy in general. SAMA stated in its report (financial stability 2020G) that the insurance sector has witnessed a number of developments during 2019G, the most important of which are as follows:

- Number increase in merging initiatives.
- Pilot phase success of motor accident damage assessment initiative.
- Granting an initial approval to a foreign company to open branches in the KSA, in accordance with the regulations of licensing and monitoring of branches of foreign insurance and/or reinsurance companies in KSA.
- Usage increase of electronic insurance brokerage after issuance of relevant regulating rules by SAMA.

In 2019G, the insurance sector recorded the highest total written premiums in the history of the sector, achieving 38 billion Saudi Riyals, with a growth rate of 8.2% compared to 2018G. The first and second quarters of 2020G have recorded an increase in the total written insurance premiums compared to the same period for last year which amounted to 6.1% and 5.1%, respectively. While the third quarter of 2020G witnessed a decrease in the total written insurance premiums by an equivalent rate of (0.4%) compared to the same period last year.

The net income for insurance companies increased from 289.5 million in the third quarter of 2019G to 295 million Saudi Riyals for the same period in 2020G. This increase, as stated by SAMA, was a result of the income generated from insurance operations as it increased from 51 million Saudi Riyals in the third quarter of 2019G to 62 million Saudi Riyals in the same quarter of 2020G. It is worth noting that investment income decreased in the same period by 2.5%, as a result of lower interest rates and stock returns.

**Table No. (3.1): Total written premiums**

SAR Billion	2015G	2016G	2017G	2018G	2019G
<b>Total</b>	<b>38</b>	<b>37</b>	<b>37</b>	<b>35</b>	<b>38</b>

Source: (Monthly Bulletin) issued by SAMA for third quarter of 2020G.

#### 3.1 Insurance Sector by Line of Business

The insurance activity is divided into three main activities, namely, health insurance, general insurance and protection and savings insurance. Health insurance represents the largest portion of the total written premiums, followed by general insurance, and protection and savings insurance.

In 2019G, health insurance contributed 59.3% of total written premiums, while the contribution of general Insurance and protection and savings insurance accounted for 37.7% and 3%, respectively.

**Table No. (3.2): Total written premiums by line of business**

SAR Billion	2015G	2016G	2017G	2018G	2019G
Health insurance	18.97	18.63	19.04	19.88	22.47
General insurance	16.49	17.17	16.33	14.03	14.28
Protection and savings insurance	1.04	1.05	1.14	1.10	1.14
<b>Total</b>	<b>36.50</b>	<b>36.85</b>	<b>36.50</b>	<b>36.01</b>	<b>37.89</b>

Source: (Monthly Bulletin) issued by SAMA for third quarter of 2020G.

##### 3.1.1 Health Insurance

In 2019G, health insurance activity achieved an increase in written premiums by 13.1% over the previous year. Where by end of 2019G, the number of health insured persons reached 11 million, and the total number of establishments that insured their employees reached nearly 500 thousand companies and institutions. As mentioned previously, health insurance is the highest insurance activity in terms of contribution to total written premiums.

The first quarter of 2020G witnessed an increase in total written health insurance premiums by 8.9% compared to the same period of the previous year. While compared to the same periods of the previous year, the second and third quarters of 2020G recorded a decrease of (2.1%) and (10.1%), respectively.



### 3.1.2 General Insurance

General insurance includes motor insurance, aviation insurance, energy insurance, engineering insurance, marine insurance, property insurance, accident and liability insurance and others.

In 2019G, General Insurance activity witnessed an increase in its written premiums by 8.1% over the previous year. It is also worth noting that motor insurance contributes the largest percentage of total written insurance premiums in general insurance, where in 2019G it contributed 60.3% of total written insurance premiums in general insurance. Property insurance and engineering insurance contributed 12.9% and 8.4%, respectively, and aviation insurance, energy insurance, marine insurance, accidents and liabilities insurance and other insurances accounted for 18.4% in 2019G.

The first quarter of 2020G witnessed a decrease in the total written insurance premiums in general insurance by (6.0%), while the third and fourth quarters of 2020G witnessed an increase by 14.2% and 17.1%, respectively, compared to the same period last year.

### 3.1.3 Protection and Savings Insurance

SAMA defines protection and savings insurance as "a contract by which the insurer undertakes to pay the insured sums of money, including savings proceeds, on a future date in exchange for premiums paid by the insured". There are several types of protection and savings insurance, where it includes protection insurance which covers risks related to death and total or partial disability, permanent or temporary, for individuals and groups. Protection and savings insurance also include protection insurance with savings which involves insurance policies under which the insurer pays an amount or amounts, including savings proceeds, on a future date in return for premiums paid by the insured.

In 2019G, the total written premiums in the protection and savings insurance activity increased by 2.92% over the previous year. The first, second and third quarters of 2020G witnessed an increase of 33.6%, 32.9% and 33.1%, respectively, compared to the same period last year.

## 3.2 Insurance Sector and COVID-19

Many sectors in the KSA suffered during 2020G upon the spread of Corona virus (COVID-19), as it affected the financial performance of many companies. In contrast, the insurance sector maintained its financial performance and showed a number of positive developments, especially in health insurance and motor insurance, which are the main contributors to the growth of income generated in the insurance sector.

The reason for insurance sector's stability and growth during 2020G is due to government initiatives and support upon the spread of COVID-19. As the government, represented by Ministry of Health, undertook the treatment of virus-infected citizens, residents, and even violators of residency laws. In addition to the precautionary measures taken by the government, such as partial and total bans to restrict the movement of most citizens and residents which led to a decrease in motor claims.

## 3.3 Expected Growth of Insurance Sector in Kingdom of Saudi Arabia

Expectations for insurance sector indicate growth in the medium and long term in light of the positive developments related to Vision 2030 and all the initiatives launched by SAMA, that aim to support the development and growth of insurance market in the KSA and to enhance its contribution to economic growth.



## 4. Overview of the Company and Nature of its Business

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (MEDGULF) (the "Company" or "MEDGULF Saudi Arabia") was incorporated as a Saudi joint stock company pursuant to Council of Ministers Resolution No. (233) dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. (M/60) dated 18/9/1427H (corresponding to 11/10/2006G), and registered in Riyadh under Commercial Registration No. 1010231925 dated 08/4/1428H (corresponding to 26/4/2007G). The Company's head office is located in Riyadh - King Saud Street, Futuro Tower, P.O. Box 2302 Riyadh 11451, Saudi Arabia.

SAMA license no. (TMN/3/20079) was issued to the Company on 29/8/1428H (corresponding to 11/9/2007G) granting the ability to engage in the insurance and reinsurance business, which includes the following fields: (1) general insurance, (2) health insurance, and (3) protection and savings insurance. The Company operates pursuant to the Cooperative Insurance Companies Control Law and its implementing regulations, in addition to other laws and directives applicable in the Kingdom of Saudi Arabia under the supervision of the Saudi Central Bank.

The current share capital of the Company is seven hundred million (700,000,000) Saudi Riyals, divided into seventy million (70,000,000) ordinary shares, paid in full, with a nominal value of ten Saudi Riyals (10 SAR) per share.

MEDGULF Saudi Arabia is one of the biggest companies in the Kingdom of Saudi Arabia licensed to offer cooperative insurance services. It began operating in Saudi Arabia in the second half of 1995G under an exclusive agency agreement between MEDGULF Bahrain and Samia Corporation. In 2007G, the Company was independently incorporated in the Kingdom of Saudi Arabia to proudly serve more than a million beneficiaries all over the Kingdom of Saudi Arabia. It is a listed company on the Saudi Stock Exchange (Tadawul).

The Company offers a broad range of various insurance products divided into three lines of business:

### ▪ Health Insurance

Health insurance is the Company's largest line of business, representing 71.9% of the gross insurance premiums as at 31/12/2020G.

The Company issues insurance policies offering multiple coverage schemes for treatment expenses starting with covered services, based on the policy approved by Council of Cooperative Health Insurance.

### ▪ Motor Insurance

The motor insurance line of business accounts for 16.8% of gross insurance premiums as at 31/12/2020G.

The Company issues motor insurance policies that cover all damages to vehicles and third-party liability resulting from accidents, and that may expand to cover the vehicle's passengers as required by the client.

### ▪ Other Insurance Products

This line of business represents 11.3% of the gross insurance premiums as of 31/12/2020G.

It involves a number of types of insurance: complex risks associated with engineering, aviation and industrial sectors, as well as daily risks such as property, medical and life insurance.

After obtaining approval of SAMA, the Company develops its insurance products and distributes to its clients via various distribution channels comprising of 14 points of sale, as well as agents and brokers accredited by authorities regulating the Saudi insurance sector, in addition to marketing and sales team.

It is worth mentioning that 94% of Company's client base consists of companies, while 6% of Company's client base consists of retail clients as at 31/12/2020G.

## 4.1 Major adjustments to the Company's share capital

The Company listed eighty million (80,000,000) ordinary shares on Tadawul through an initial public offering dated 28/3/1428H (corresponding to 16/4/2007G), as it represent (25%) of the shares.

On 23/7/1434H (corresponding to 02/6/2013G), the Extraordinary General Meeting of the Company's shareholders was held, where it was approved to increase the Company's capital from eight hundred million (800,000,000) Saudi Riyals to one billion (1,000,000,000) Saudi Riyals through issuing bonus shares out of retained earnings.

On 02/1/1439H (corresponding to 22/9/2017G), the Extraordinary General Meeting of the Company's shareholders was held, where it was approved to decrease the Company's capital from one billion (1,000,000,000) Saudi Riyals to four hundred million (400,000,000) Saudi Riyals through the cancellation of sixty million (60,000,000) shares to extinguish accumulated losses.



On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Meeting of the Company's shareholders was held, where it was approved to increase the Company's capital from four hundred million (400,000,000) Saudi Riyals to eight hundred million (800,000,000) Saudi Riyals through rights issue.

On 10/09/1442H (corresponding to 22/04/2021G), the Extraordinary General Meeting of the Company's shareholders was held, where it was approved to decrease the Company's capital from eight hundred million (800,000,000) Saudi Riyals to seven hundred million (700,000,000) Saudi Riyals through the cancellation of ten million (10,000,000) shares to extinguish accumulated losses.

On 28/03/1443H (corresponding to 03/11/2021G), the Extraordinary General Meeting of the Company's shareholders was held, where it was approved to increase the Company's capital from seven hundred million (700,000,000) Saudi Riyals to one billion and fifty million (1,050,000,000) Saudi Riyals through rights issue.

## 4.2 Substantial Shareholders

Substantial shareholders of the Company, who own 5% or more of the Company's share capital, are Saudi Investment Bank, Medgulf Bahrain and Abdullah Abunayyan Trading Company. The table below sets out shareholding of Substantial Shareholders as of the date of this Prospectus:

**Table No. (4.1): Substantial Shareholders' shareholding in the Company**

Shareholders	Number of shares	Shareholding percentage in the Company
Saudi Investment Bank	13,300,000	19.00%
Medgulf Bahrain	11,984,000	17.12%
Abdullah Abunayyan Trading Company	6,993,000	9.99%

Source: Tadawul

## 4.3 Historical Overview of Substantial Shareholders

### 4.3.1 Saudi Investment Bank

Saudi Investment Bank owns the largest share in the Company. Saudi Investment Bank was incorporated as a Saudi joint stock company pursuant to Royal Decree No. (M/31) dated 25/6/1396H (corresponding to 23/6/1976G) and started operating in March 1977G. Saudi Investment Bank provides end-to-end banking services to individuals, companies, and investment services. In addition, Saudi Investment Bank funds the industry and trade sectors, including import and export. Saudi Investment Bank shareholders include both The General Organization for Social Insurance and Public Pension Agency.

### 4.3.2 Medgulf Bahrain

Medgulf Bahrain holds shares in a number of insurance companies and companies operating in insurance-related industries in the Middle East and Europe. Medgulf Bahrain is owned by three main partners, namely International Finance Corporation, Orix (a company listed on the Japanese Stock Exchange), and SLH Holding (a limited liability company incorporated under the laws of the Cayman Islands).

### 4.3.3 Abdullah Abunayyan Trading Company

Abdullah Abunayyan Trading Company was incorporated in 1952G to design integrated solutions and supply equipment and products for water and sewerage. It also develops the latest power generation systems, provides automation solutions for industry, irrigation and water management, provides services and solutions for logistics, warehouse and warehousing management systems, in addition to supplying spare parts for heavy-duty machinery.

## 4.4 The most significant events that caused the reduction of the Company's solvency margin, SAMA decisions and the most significant decisions taken by the Company to remedy these situations

### 4.4.1 The most significant events that caused the reduction of the Company's solvency margin

- Reinsurance agreements through the Cooperative Reinsurance Center

Until 2014G, all reinsurance agreements were managed by the Cooperative Reinsurance Center, a MEDGULF associated center, and hence a related party. The Center conducted the Company's transactions on a consolidated basis with other related parties, reinsurance companies and brokers. Transactions with reinsurance companies and brokers were conducted through the Center, alongside settlement of balances. However, amounts paid and settlements between parties were unclear and undocumented, and does not use licensed brokers in the Kingdom.



Until 31/12/2020G, the Company could not determine balances and accounts receivable from related parties and there are currently outstanding amounts still due to the Company, which had an adverse effect on the company's solvency margin, since they were calculated as a provision for doubtful debt.

- **Losses of SAR 261 million for the year ended 31 December 2015G**

In 2015G, the Company incurred losses of SAR 261 million. This was a result of higher net claims incurred, due to higher claim provisions allocated upon recommendations made by the Actuary expert, and higher general expenses due to the increased deduction tax, which had an adverse effect on the Company's solvency margin.

- **Losses of SAR 388 million for the year ended 31 December 2017G**

In 2017G, the Company incurred losses of SAR 388 million as the Company increased the doubtful debt provisions by SAR 295 million, distributed as follows: SAR 240 million as a provision for doubtful debts from reinsurance transaction balances and insurance policy holder premiums, as well as SAR 55 million as a provision for doubtful debts from balances of related party transactions. In addition, the Company has written off the ERP system amounting to SAR 26 million, which had an adverse effect on the solvency margin.

- **Losses of SAR 204 million for the year ended 31 December 2018G**

In 2018G, the company incurred losses amounting to 204 million Saudi Riyals. Such losses were due to the increase in the net claims incurred as a result of the increase in the net claims provisions for health sector based on the recommendations of the actuary expert, in addition to creating additional provisions for doubtful debts for some clients, which adversely affected the company's solvency margin.

- **Losses of SAR 256 million for the year ended 31 December 2019G**

In 2019G, the company incurred losses amounting to 256 million Saudi Riyals. The reason for the decrease in accumulated losses was a result of decrease of 40% in premium deficit reserve, according to the actuary expert's recommendation, by 21 million Saudi Riyals, in addition to the increase of 214% in the net underwriting.

- **Losses of SAR 99,569 million for the year ended 31 December 2020G**

- In 2020G, the company incurred losses amounting to 99,569 million Saudi Riyals. The reasons for the decrease in the company's accumulated losses is due to:
  - Reducing the legal reserve by 120 million Saudi Riyals due to accumulated losses.
  - The net profit after zakat for the year 2020G amounted to 36.9 million Saudi Riyals.

#### 4.4.2 Most significant decisions taken by the Company to rectify the situation

- **Ceasing the use of the Cooperative Reinsurance Center since 2014G**

The Company affirms that it has stopped dealing with the Cooperative Reinsurance Center since 2014G with respect to all matters related to the payment of reinsurance amounts and settling claims. The Company now conducts transactions directly with reinsurers.

- **Appointing an external consultant to run an audit on the Company upon the request of SAMA and providing recommendations to remedy the situation in 2014G**

Upon SAMA's request, the Company has appointed an external consultant to conduct an audit on the Company and submit a report containing recommendations for rectifying its situation in 2014G. Among the most important of these recommendations are developing the organizational structure, developing a system for separating duties and powers, preventing financing for any related parties, and ceasing the use of the Cooperative Reinsurance Center. The company complied with most of those recommendations, the most important of which is ceasing the use of the Cooperative Reinsurance Center and developing the Company's organizational structure. The company is in the process of taking the necessary measures to comply with the other recommendations of the external consultant.

- **Developing the Company's internal policies and procedures**

The Company has updated its internal policies and procedures, the most important of which is the "Corporate Governance Guide". It is currently reviewing its financial management policy and procedures, which will contribute significantly to organize the Company's work and determine the roles and responsibilities in the Company's various lines of business, also at the level of the Board of Directors and its various committees.



- **Appointing a consultant to develop the Company's strategy in 2016G**

The Company has appointed an international external consultant to develop a comprehensive strategy for the Company and define its vision, mission and values, which was approved by the Board of Directors on 04/4/2016G.

- **Auditing accounts and balances with related parties in 2017G**

The Company has contracted with an independent auditor to carry out a comprehensive audit and reconciliation of the balances of related parties. The independent auditor has submitted two reports, the first report was on the account of Medgulf Bahrain (a related party) to the reinsurance agreement whereby the Company was able to collect an amount SAR 163 million. The second report was on the remaining accounts with related parties, whereby it specifies the remaining amounts due from Medgulf Bahrain, Medgulf Lebanon and Addison Bradley Company and are currently being collected by the company.

- **Reducing the Capital in 2017G**

On 02/1/1439H (corresponding to 22/9/2017G), the Company reduced its capital from one billion Saudi Riyals (SAR 1,000,000,000) to four hundred million Saudi Riyals (SAR 400,000,000) through the cancellation of sixty million (60,000,000) shares, thereby reducing accumulated losses from SAR 733,970,446 to SAR 133,970,446.

- **Appointing an external consultant to study the Company's options with the purpose of improving the solvency margin in 2017G**

The Company has appointed an external consultant to cooperate with the Executive Management and develop an action plan based on an integrated financial model to improve the Company's financial position, and increase the margin of solvency in light of the ratios set by SAMA within the limited time frame, and such plan was approved by the Board of Directors on 06/12/2017G.

- **Increasing the capital in 2018G**

On 30/12/1439H (corresponding to 10/09/2018G), the company increased its capital from four hundred million (400,000,000) Saudi Riyals to eight hundred million (800,000,000) Saudi Riyals through rights issue in order to improve solvency margin and support the company's financial position.

- **Provide a plan to address the low solvency margin**

The company has developed, alongside the Company's actuary expert, an action plan to address the solvency margin. The action plan was approved by the Board of Directors on 08/12/2018G and sent to SAMA on 09/12/2018G.

- **Reforming the Board of Directors and committees thereof**

The Company has reformed the Board of Directors to complete the previous term of the Board, which shall end on 29/6/1440H (corresponding to 07/4/2019G). The appointment was approved by the Ordinary General Assembly held on 23/7/1439H (09/4/2018G).

On 23/7/1439H (corresponding to 09/4/2018G), the Company reformed committees for the current session, including Executive Committee, Nomination and Remuneration Committee, Risk Committee, Investment Committee, and Audit Committee. The Company has also established a Governance Committee that directly reports to the Board of Directors and includes some independent members from outside the Board.

- **Reducing the capital in 2021G**

On 09/10/1442H (corresponding to 22/04/2021G), the Company reduced its capital from eight hundred million Saudi Riyals (SAR 800,000,000) to seven hundred million Saudi Riyals (SAR 700,000,000) through the cancellation of ten million (10,000,000) shares in order to restructure the company's capital to extinguish accumulated losses, thereby reducing accumulated losses from SAR 105,643,128 to SAR 5,643,128.





## 4.5 Company's Vision, Mission, Strategy, and values

### 4.5.1 Company Vision

Aims to be the most reliable Saudi insurance company.

### 4.5.2 Company Mission

Aims to improve its clients' lives through providing superior insurance solutions and highly- qualified customer service.

### 4.5.3 Company Strategy

The Company's strategy is aimed at:

- Implementing a plan to improve and raise the Company's efficiency in IPOs, development, project management, and development of policies and procedures, in order to control operations.
- Reducing its receivables and developing a clear policy for the payment of premiums.
- Improving the quality of the portfolio and finding solutions to handle unprofitable business portfolios of clients, ensuring the application of an approved discount policy, and putting an end to waste associated with claims involving vehicle accidents.
- Focusing on high growth sectors, adapting the business to the needs of small and medium sized enterprises (SMEs) and the retail sector, and maintaining the current approach to clients' business portfolios.
- With respect to health insurance: Restructuring the support department and improving the performance of the sales department while providing them with a unified group of products for SMEs.
- With respect to motor insurance: Building digital channels and an agent network to become a leader in sales in terms of client focus, formulating more favorable prices, improving the handling of complaints, and reducing fraud cases.

In order to achieve this strategy, the Company will:

- Develop the best talents at the senior management level to implement this strategy.
- Foster a business environment in line with the Company's strategic direction which recognizes and rewards the best talents.
- Develop and implement the best business processes and technologies in the Company.
- Redesign existing policies and procedures to reduce costs. and
- Improve the company's business image, while implementing its strategy and attracting new clients.

### 4.5.4 Company Values

The Company's values stem from caring for its clients, who represent its topmost priority. From this perspective, the Company seeks to:

- We care about our employees, customers and community.
- We build our relations on the foundations of mutual trust.
- We devote the concept of integrity and transparency in all our works.
- We strive for excellence in all our services and products.
- We assume responsibility for all of our obligations.
- We reward the outstanding performance of our employees to enhance their sense of belonging to MEDGULF family

## 4.6 Competitive Advantages and Strengths

### 4.6.1 A well-established and recognized brand in the region

Over many years, MEDGULF has gained a prominent name in the insurance world. Thanks to the growth of its business in a short period of time, it has become the fourth largest insurer operating in the Kingdom. Accordingly, the name "MEDGULF" is known as a leading name in the insurance sector, both to institutions and individuals.

### 4.6.2 A highly qualified management team

Due to its experience, regional expansion, and relations with partners, the Company has acquired substantial experience in the field of insurance, enabling it to recruit highly-qualified management and technical professionals locally and globally. The Company primarily depends on human capabilities in order to develop and increase its business. This gives the Company



an advantage in obtaining highly qualified expertise. The Company continuously and actively trains and qualifies a group of young Saudis with university degrees through banking and insurance institutions locally and across the Gulf region, which has contributed to engaging and qualifying primarily Saudi youth to deal with the critical functions of the Company. The Company will continue to provide and maximize such programs.

#### **4.6.3 Operational Efficiency**

The company has a continuous interest in increasing its operational efficiency, so since February 2020G, the company has worked on settling medical claims internally instead of contracting with MediVisa, which would reduce the company's costs and speed up its business processes.

#### **4.6.4 Wide geographical coverage in the Kingdom**

In addition to contracting with a wide network of brokers and agents, the Company has 14 sales and service offices, casting a wide net of geographic coverage and access to a greater number of clients across the Kingdom of Saudi Arabia.

#### **4.6.5 Large-scale medical network**

As at the date of this Prospectus, The Company has a large-scale medical network of more than 1,000 medical providers, including 300 hospitals covering the whole Kingdom, including remote and isolated areas, to accelerate approval of medical claims, regulating the quality of medical services, and monitoring expenditures. This network qualifies the Company to conclude large health insurance contracts and gives it a preferential advantage over its competitors.

#### **4.6.6 Various insurance services**

The Company has a wide range of direct insurance, reinsurance and claims management services of all types.

#### **4.6.7 Customer-focused environment**

The Company is proud that one of the most important pillars of its strategy is client care. It has determined that its mission is to provide clients with innovative, reliable and flexible insurance solutions, while supporting high-level customer service. This is achieved through constant contact and interaction with the Company's clients, from the moment the client solicits any of the Company's products until renewal of the policy.

With over two decades of experience in the insurance industry and in offering flexible insurance solutions that meet client needs, an independent and unbiased team trained and qualified to provide client care and complaint services that directly reports to the CEO, as well as an electronic communication channel network, sale points and customer service centers all over the Kingdom of Saudi Arabia, the Company has provided excellent customer services and has gained clients' trust.

#### **4.6.8 Distinguished experience and robust automatic systems**

The Company's staff includes a selection of cadres experienced in subscription mechanisms, with the best price instruments that regulate subscription activity and ensure fair pricing for clients. These cadres are supported by a strong team dedicated to actuarial studies and data analysis to develop a pricing and subscription structure, along with using the latest data mining programs to control the performance of the Company's portfolio. In addition, the Company includes a reinsurance department with a trained team to handle the most complex risks.

#### **4.6.9 Exceptional international communication with reinsurance partners**

The Company has a worldwide team of leading reinsurance companies whose global nature ensures the highest level of reinsurance, if needed. To ensure the highest possible level of service, the reinsurance subsidiaries of the Company are two degrees or three degrees higher than credit ratings recommended by regulatory authorities. Due to the Company's strong relationship with reinsurers, the Company can safely pledge its risks and offer wide coverage to its clients at any time, without a minimum price.

#### **4.6.10 Leading position in client care**

A trained and qualified customer care team that works independently, with complete impartiality and reports directly to CEO. In addition, there is a free phone that supports self-service, ease of access, and speaking with customer care staff through social media platforms, in addition to e-services and MedGulf app on the phone, which facilitates the management of insurance policies of all kinds. The company is interested in developing the customer experience through continuous development of e-services, which enhances the company's ability to serve its customers efficiently and with high quality around the clock. The company was able to resolve 99% of complaints within the statutory period, which was stated in SAMA's Report "SAMA Cares".

#### **4.6.11 Innovation**

A talented and experienced team works to enrich the Company's products through a range of highly qualified services going beyond client aspirations. It aims to serve society and raise awareness on the reduction of risks, consistently with the Vision 2030's goal to generate a vibrant society and prosperous environment. The Company has introduced a package of services



supplementing its health insurance products through which it seeks to transform society's lifestyle into one that is more vibrant and healthier. It is also developing a use-based motor insurance product (Telematics) based on the style of driving, which will have the greatest impact in motivating the society to improve its behavior and avoid unsound driving practices. This will contribute to raising the level of traffic safety and reducing vehicle accidents and their effects.

#### 4.6.12 Development of technology system - "Naqla Program"

The Company has launched an ambitious program that aims to upgrade the Company's technical systems to the highest levels and to introduce the latest technologies in order to increase production efficiency and provide the best services to clients. The Program aims to create online platforms equipped with state-of-the-art features that enable the Company to provide services to, and continuously communicate with, the public, as well as allow them to terminate their transactions anytime and anywhere.

#### 4.6.13 E-Services

Medgulf has launched various electronic services, including:

- Third party motor insurance.
- Comprehensive Motor Insurance.
- Motor Insurance Claim.
- NABD Program for SMEs.
- Complaints.
- Online Auction

### 4.7 Companies in which the Company holds interests or shares

The Company does not own any shares in other companies except for Waseel ASP Ltd and Najm for Insurance Services Company, as indicated in the table below.

**Table No. (4.2): Companies in which the Company holds interests or shares**

The Company	Country	Shareholding Percentage
Waseel ASP Ltd	Kingdom of Saudi Arabia	25%
Najm for Insurance Services	Kingdom of Saudi Arabia	3.45%

#### 4.7.1 Waseel ASP Ltd

Waseel offers business-to-business (B2B) solutions between insurance companies and health care providers to reduce workload and ensure prompt processing of claims. The service package they provide is designed to ensure that the client is eligible for service from the health facility, obtain prior approval for treatment and provide electronic services to settle claims for health facilities. This ensures the following benefits:

- Conducting operations electronically and minimizing paperwork.
- Reducing administrative expenses. and
- Providing services to clients in a speedier manner, which is reflected positively on the level of client satisfaction.

#### 4.7.2 Najm for Insurance Services

Najm for Insurance Services was incorporated to manage and resolve traffic accident claims, and its services include attendance at the scene and carrying out relevant procedures as per the requirements of each accident. The Company also deals with Najm under a service contract to leverage its services with regard to motor insurance policies issued by the Company. Najm does not receive any preferential advantage due to its dealings with the Company.



## 4.8 Company's activities and products

### 4.8.1 Insurance Activity

The Company offers a broad range of various insurance products divided into three lines of business: (1) health insurance, (2) motor insurance, and (3) general insurance. The Company operates under the Cooperative Insurance Companies Control Law and its implementing regulations, in addition to other laws and directives applicable in the Kingdom of Saudi Arabia under SAMA supervision. The Company has obtained SAMA's final approvals for all of the products it offers.

#### ▪ Health Insurance

Health insurance is the Company's largest line of business, representing 72% of the gross insurance premiums as at 31/12/2020G.

Under this type of insurance, all expenses of medical examination, diagnosis, treatment and medication are covered in accordance with the regulations and instructions of the Health Insurance Council for individuals and groups.

The table below outlines the health insurance products provided by the Company as of the date of this Prospectus.

**Table No. (4.3): Health Insurance Products**

Product Name	Product Details
Companies' Health Insurance	A program approved by the Sharia Supervisory Board and compatible with the document of the Council of Cooperative Health Insurance, providing medical care to employees working in companies and institutions and their families, with a wide network of hospitals and medical centres throughout the Kingdom that extends to more than a thousand service providers, to provide fast services without any obstacles.
Health insurance for small and medium enterprises (SME) "NABD"	<p>"NABD" provides health insurance for small and medium enterprises for employees and their families, and this program is designed to suit all fields and to the various desires that exist in all sectors with many options that fit the field of the facility.</p> <p>Small and medium enterprises are considered one of the most important engines of economic growth, as they work to encourage creativity and innovation, provide jobs and enhance the growth of exports. Therefore, as part of the Company's efforts to support small and medium enterprises in the Kingdom and achieve the vision of the Kingdom of Saudi Arabia 2030 in the "leadership of national enterprises", "NABD" was launched, stressing that the "NABD" programs will tangibly help these establishments to enhance their growth locally and thus stimulate their development.</p> <p>The business development team worked to design a product that meets all the requirements and needs of small and medium-sized enterprises at competitive prices to suit the enterprise's budget and desires and to support the profit margin of the enterprise. The eight (Basic, Elite, Economic, Executive, Standard, Excellence, Classic, Advanced) "NABD" programs contain all the requirements of the Council of Cooperative Health Insurance for insurance policies of different categories, multiple coverage networks, and coverages up to (SAR 1,000,000).</p> <p>Flexibility and speed of "NABAD" helps the employer organize and change the health plan in a way that suits the needs and desires of employees and their families within a well-thought-out and balanced budget and in record time.</p>
Health insurance for tourists	<p>This product allows tourists from more than 40 countries to visit the Kingdom to learn about its civilizations and history. This product helps in strengthening the pillar of economic power and in supporting the Kingdom's resources in implementing tourism development projects and supporting the national heritage, as well as encouraging the private sector to invest in cultural and entertainment projects.</p> <p>In cooperation with the Health Insurance Council, this product has been designed to ensure that tourists have access to health service for emergency cases with a network of health service providers accredited by the Health Insurance Council and spread in all regions of the Kingdom. This product enhances the supply of tourists with health security that guarantees them basic insurance coverage in all regions The Kingdom against emergency health risks with a maximum benefit amount of (SAR 100).</p> <p>This product is designed to cover all expenses of medical examination, diagnosis, treatment and medication in addition to all hospitalization emergency expenses, pregnancy, childbirth, dental and gum diseases, emergency dialysis cases, emergency medical evacuation, injuries resulting from traffic accidents, expenses for processing and returning the body of the deceased insured visitor to his/her country of origin and other coverages according to the schedule of the Health Insurance Council Policy.</p> <p>The insurance coverage is done on the basis of direct debiting to the Company's account so that the insured tourists do not have to pay sums of money to health care service providers within the network of service providers specified by the Company. In the event that the insured is forced to obtain health care outside the specified service provider network, the Company will compensate him on the basis of the allowance in accordance with the provisions of the Health Insurance Council.</p>



Product Name	Product Details
Health insurance for visitors	<p>Through this program, visitors to the Kingdom of Saudi Arabia have the opportunity to obtain health care for medical emergencies or accidents, when purchasing a health insurance program for visitors, at the best accredited medical centres without bearing any burdens for the cost of this care.</p> <p>This program complies with Saudi Council of Ministers Resolution No. (180) dated 2/5/1435H, which obligates all applicants to obtain entry visas to the Kingdom of Saudi Arabia for the purpose of visiting and their companions.</p> <p>This product is designed to cover all expenses of medical examination, diagnosis, treatment and medication in addition to all hospitalization emergency expenses, pregnancy, childbirth, dental and gum diseases, emergency dialysis cases, emergency medical evacuation, injuries resulting from traffic accidents, processing expenses and returning the body of the deceased insured visitor to the hospital. His/Her country of origin and other coverages according to the schedule of the Health Insurance Council document.</p> <p>The insurance coverage is made on the basis of direct debiting the Company's account so that the insured visitors do not have to pay sums of money to health care service providers within the network of service providers specified by the Company. In the event that the insured is forced to obtain health care outside the specified service provider network, the Company will compensate him on the basis of the allowance in accordance with the provisions of the Health Insurance Council.</p>

The Company's health insurance programs provide a number of value-added services, most notably:

- Additional teams and service representatives who are always ready to serve major hospitals across the Kingdom for assistance and follow-up.
- Top service efficiency level, which ensures an average response speed of less than 5 minutes.
- Re-dispensing medicines for chronic diseases monthly without the need to visit a doctor within a wide network of pharmacies throughout the Kingdom, where the service also includes tips and directions on how to deal with treatment.
- Childcare programs that facilitate and ensure faster access to approved vaccinations at home.
- Newborn care, which contributes to the provision of insurance information, explanation of the childcare program, and tips for new mothers.
- Medical referral that saves the Company's customers cash payments and the hassle of waiting in the absence of medication, as customers are directed to the nearest pharmacy to receive the medication without any delay.
- Immediate and around-the-clock global logistical assistance in the event of any emergency during a business or leisure trip.
- Providing a second medical opinion in cooperation with Assist America, allowing our clients to get the best medical consultations and benefit from the expertise of the most important hospitals in the United States of America.
- Track cash claims in an easy and convenient way from the submission stage to the payment stage through electronic channels.
- A doctor available to communicate by phone to answer all health inquiries and inquiries about health coverage.
- A doctor available to communicate through the Internet at all times and for various specialties.

## 4.8.2 Service providers dealing with the Company

### 4.8.2.1 Hospitals and clinics

Over the past 20 years, the Company has established strong relationships with a range of hospitals and clinics across the Kingdom through contracts based on a solid foundation of mutual trust to provide the highest quality services to its clients. The Company's acquisition of a large share of the health insurance portfolio in the Kingdom over the past years, with more than one million insurers, has increased its strength to compete with other companies to obtain the best prices and services from leading healthcare providers.

#### 1- Motor Insurance

The motor insurance sector accounts for 17% of the gross insurance premiums as at 31/12/2020G.

Motor insurance covers vehicle-related losses, physical injuries or deaths resulting from road traffic accidents, in addition to compensation for physical damages arising from fixing or replacing vehicles. The Motor Insurance Departments are comprehensive vehicle coverage and coverage for damages to third parties.



The table below outlines the motor insurance products provided by the Company as of the date of this Prospectus.

**Table No. (4.4): Motor insurance products provided by the Company**

Product Name	Product Details
Motor Insurance against third parties	This is a compulsory insurance whereby physical damage to third parties inside or outside the vehicle and material damage outside the vehicle are compensated, the expenses of the transportation of the deceased's body are covered, and a bail of SAR 300,000 in case of manslaughter and SAR 400,000 in case of premeditated murder is paid.
Comprehensive Motor Insurance	This is an optional insurance whereby compensation for the loss of a vehicle, damage due to an accident, fire or theft, or intentional damage by third parties to any described vehicle is paid. This insurance provides coverage for the costs of treatment, hospitals and (first aid) medicines provided for the driver, passengers or third parties. Furthermore, it provides the driver, passengers or third parties with material compensation in case of disability or death.

## 2- Other insurance products

This sector represents 11% of the gross insurance premiums as at 31/12/2020G. It involves a number of insurance segments: complex risks in engineering, aviation and industrial sectors, as well as daily risks such as property and medical insurance.

The table below outlines other insurance products provided by the Company as of the date of this Prospectus.

**Table No. (4.5): Other insurance products provided by the Company**

Product Name	Product Details
Travel Insurance	<p>This product is designed specifically to meet the needs of clients who desire to obtain an insurance policy for embassies. It allows the client to choose the coverage that he/she wants according to his/she destination and the period of coverage (number of days) at different prices.</p> <p>This insurance covers the expenses incurred in emergency medical cases in most parts of the world around the clock and compensates the insured for damage resulting from the cancellation or delay of flight departure times, loss of baggage, and other benefits.</p>
Property Insurance	<p>This type of insurance provides insurance protection for owned or leased property and its contents from the risks or damage caused by accidents, natural disasters or thefts. Coverage includes: (1) insurance of houses and their contents. (2) insurance of stores and their contents and goods. (3) insurance of buildings, factories, industrial facilities and workshops. Property insurance includes fire, theft and all-risk insurance (fire, theft, lightning, water leaks, floods, earthquakes, etc.).</p>
Engineering Insurance	<p>This type of insurance provides insurance protection for project equipment, installation risks, electronic devices, and all risks related to contractors and machine malfunction.</p>
Contractors' all-risk Insurance	<p>This type of insurance covers construction projects during their implementation periods until they are delivered to their owners. Coverage can also be extended to subsequent maintenance after the implementation period. Examples of projects that can be covered include various types of construction of residential, administrative and recreational buildings, hospitals, hotels and factories.</p> <p>This insurance covers physical losses caused by fire, burglary, theft, explosion, faulty execution and earthquakes. It also covers civil liability for physical and material damage caused to others due to the construction of buildings, construction, etc.</p>
Machine Malfunction Insurance	<p>This type of insurance covers machines and equipment in operation, end-of-use or disassembly for cleaning, thorough inspection, and re-installation. Examples of such machines are production machines and equipment in factories (power generators) and cooling rooms and machines (refrigerators).</p> <p>Insurance coverage includes material losses caused by material defects, faulty operation, intentional damage by third parties, electrical shock and others.</p>
Insurance Against Spoilt Stock	<p>The inventory corruption insurance policy is considered a supplement to the machine malfunction policy and may not be issued unless there is a valid machine malfunction policy issued by the same company.</p> <p>Insurance coverage includes loss or damage of items stored in cooling rooms and refrigerators as a direct result of the breakdown of cooling machines, for example fruit, meat, fish, milk and dairy products.</p>
Contractors' Equipment Insurance	<p>This type of insurance covers on-land machines and equipment of contractors in operation, end-of-use or disassembly for cleaning, thorough inspection, and re-installation at work sites. Examples of such equipment are excavators, concrete mixers, cranes, etc.</p> <p>Insurance protection includes losses caused by fire, burglary, coup, earthquakes, etc. It can also extend to cover the risk of mobility and off-site mobility.</p>
Installation all-risk Insurance	<p>This type of insurance covers construction projects from execution to delivery to their owners. This insurance provides all coverage provided by contractors' all-risk insurance. Coverage can also extend to cover periods of trials, testing and maintenance. Projects that can be covered include installation of all types of machinery and equipment.</p> <p>Insurance protection covers risks related to fires, explosions, floods, storms, electricity, etc. In addition, it covers civil liability for physical and material damage caused to third parties due to the installation, construction, and execution of such projects.</p>



Product Name	Product Details	
Electronic Equipment Insurance	This type of insurance covers electronic equipment such as electronic medical equipment (e.g., radiology, magnetic resonance and radiotherapy equipment), radar, transceivers of television and satellite stations, etc. Insurance protection covers sudden and unexpected loss or damage of electronic equipment that may arise from fire, lightning, explosions, etc.	
Aviation and Air Transport Insurance	This type of insurance covers damage to fuselage while the aircraft is in the air or at the airport. It also covers civil liability towards passengers for damages incurred by them while on board. Moreover, it covers liability insurance for air cargo due to accidents during transport, loading and unloading and civil liability towards third parties and airports operators, etc.	
Money Insurance	This type of insurance covers all types of money including monetary instruments, banknotes, checks, postal orders, cash bonds or cash payment orders. Insurance protection includes protection of money against theft or damage whether money is kept in a court's treasury or during transport from one place to another.	
Comprehensive Banking Insurance	This type of insurance covers banks and all financial institutions providing financial services. It provides coverage for the bank's property against theft, losses resulting directly from dishonest acts by an employee of the bank, bank's money during transport, and losses or damage of the bank's physical property, i.e., furniture, equipment, safes, ATMs, etc.	
Fidelity Insurance	This type of insurance provides coverage against financial losses incurred by the employer (insured) as a result of an accident or embezzlement committed by the worker (beneficiary) during the performance of his/her job or due to reasons related to staff holding a position that requires a degree of responsibility and trust (e.g., financial managers, accountants, debt collection agents, sales staff, and storekeepers). The persons benefitting from this policy are owners of financial institutions, companies and factories. Insurance protection includes any cash or in-kind losses incurred by an underwriter due to acts resulting from theft, embezzlement, forgery, fraudulent squandering and tampering with papers and documents committed by an employee or group of insured employees as they perform their duties.	
Personal Accident Insurance	This type of coverage is intended to provide compensation in case of unexpected accidents caused by external, contingent, severe, and unexpected factors and resulting in injuries to the insured person. It provides compensation for the insured person and his/her family in case of death or partial or total disability. It provides weekly compensation and medical expenses as agreed upon and based on the schedule of injuries.	
Professional Liability Insurance	This type of insurance protects various professionals, such as doctors, engineers, lawyers and other professionals from the losses caused by any harm caused to any parties due to malpractice. Insurance coverage includes amounts for which the insured person becomes legally liable, such as damages that may be incurred by the third party due to malpractice during the performance of his/her duties, within the limits of permissible compensation.	
Product Liability Insurance	This type of insurance covers the underwriter against any amounts for which they may be legally liable in case of use of a particular product manufactured or marketed by the underwriter and which causes temporary or permanent physical injury (including death, illness or disability) to any person due to defects in workmanship. This policy may be extended to include (product recall insurance), which provides compensation for expenses resulting from recall costs related to products manufactured or distributed by the underwriter or its agents as a result of any decision taken by the underwriter during the period of insurance, which may also hold the underwriter liable if the use of any particular product causes temporary or permanent physical injury (including death, illness or exhaustion) to any person.	
Worker's Compensation and Employer Liability Insurance	This type of insurance provides comprehensive coverage for all the statutory requirements of employers. The Company shall bear all costs and expenses paid in accordance with the Saudi Labor Law, compensation for death, total or partial permanent disability, and temporary disability of employees during the performance of work.	
Marine Cargo Insurance	This type of insurance provides varying kinds of coverage including voyage cover, which protects shipments in a single voyage from one place to another. road transport cover, which covers losses in cargo during land transport as a result of an insurance-covered reason. open policy that covers the insured person for all shipments falling within the scope of the contract. and carrier's liability, which covers the carrier against losses or damage to shipments in its trust or responsibility.	
P&S Insurance	Group credit protection insurance for personal loans (banks and financial companies):	This product is designed to protect borrowers from banks or financial companies by repaying loan balances in the event of death or permanent total disability caused by accident or illness.
	Group credit protection insurance for housing loans (banks and financial companies):	This product is designed to protect borrowers from banks or financial companies by repaying loan balances in the event of death or permanent total disability caused by accident or illness.
	Group credit protection insurance for credit cards (banks):	This product is designed to provide protection to borrowers Protecting bank borrowers by repaying loan balances in the event of death or permanent total disability caused by accident or illness.





### 4.8.3 Reinsurance Policy

Reinsurance is a transaction or deal in which the reinsurer agrees to cover part of the risks insured or originally accepted by the insurance company (insurer). It is an essential requirement to achieve stable results of operations and reduce fluctuations at the Company and thus works as an effective tool for growth.

The Company deals with several reinsurance companies where the ranking is at least BBB by S&P standards or B+ by A.M. Best standards, as per Chapter 3 of the Implementing Regulation on Reinsurance Activities issued by SAMA. If the Company is willing to deal with reinsurers who are not accredited by SAMA, the Company must obtain SAMA's written approval. Ratings are indicative of the strength of the reinsurer's financial position and its efficiency in covering claims, as well as the quality and strength of its reinsurance programs.

The Company has contracted with several international reinsurance companies to reduce the risk of insurance business and ensure stable operations and sources of capital, in addition to reducing the risk of losses and stability of profitability. As at 31/12/2020G, transactions with Hannover Re accounted for 25.75% of the total transactions with reinsurers (please refer to Subsection 10.4.3 "Reinsurance Agreements" of Section 10 "Legal Information").

**Table No. (4.6): Key reinsurance companies with which the Company does business as of 31/3/2020G**

Name	Nationality	Rating	Rating Company
Gen Re	German	AA+	S&P
Hannover RE	German-Bahraini	AA-	S&P
Swiss RE	Swiss	AA-	S&P
R+V RE	German	AA-	S&P
Odyssey RE	American	A-	S&P
AXA XL	French	AA-	S&P
CCR	French	A+	A.M. BEST
Mapfre	Spanish	A	A.M. BEST
Liberty	American	A-	S&P

## 4.9 Claims

The Company's Claims Department fulfills the Company's contractual obligations with its clients in accordance with the instructions and procedures approved by the Company's management.

### 4.10 Distribution channels

The Company develops its insurance products and, after obtaining the approval of SAMA, provides them to its clients via various distribution channels comprising of 14 points of sale, as well as agents and brokers accredited by regulatory authorities in the Saudi Stock Exchange, and the marketing and sales team.

#### 4.10.1 Direct Distribution Channels

- **Points of Sale**

The Company has 14 points of sale across the Kingdom of Saudi Arabia including the Central, Eastern and Western provinces, as well as the North and the South. These points of sale provide the Company with wide geographic coverage and access to a broader segment of clients including individuals and small and medium-sized enterprises (SMEs) across the Kingdom.

A percentage of 3% of the Company's total sales are made through points of sale, with motor insurance representing the majority of sales.

- **Sales Agents**

The Company has a sales agents' team (other than a point-of-sale team) including more than 150 members spread over Riyadh, Jeddah and Al Khobar. It should be noted that they are trained to provide the best services for corporate clients. A percentage of 70% of total sales of the Company are made through sales agents. The health insurance, motor insurance, and property insurance products account for the majority of sales made by sales agents.



- **Electronic sales channels**

The Company was keen on the quality of the relationship with customers by facilitating access to all services through the electronic services that it made available on its website. The percentage of the Company's sales through electronic services is 5%.

#### 4.10.2 Indirect Distribution Channels

- **Brokers**

The Company contracts with a group of top insurance brokers authorized in the Kingdom by SAMA to provide brokerage services and who negotiate with the Company to complete insurance procedures for the insured.

A percentage of 28% of total sales of the Company are made through brokers. Health insurance, motor insurance, property insurance, and engineering insurance products represent the largest percentage of sales made through these brokers.

### 4.11 Information technology

Focusing on the customer is a key focus of the company's strategy. For this purpose, the Company invests its capabilities to implement advanced technical systems and solutions that would support and enable the Company's sectors to provide distinguished insurance services and solutions to its customers with the desired efficiency and quality, in an effort to sustain the current customer segment and increase their loyalty, in addition to attracting more strategic customers through a distinguished and secure "Customer Journey".

The information technology sector is also devoting its efforts to adopting modern technologies to ensure the highest levels of performance and achieve standards of compliance with the regulations and policies adopted for the Saudi insurance market and with the best international practices in the field of technical systems and insurance solutions. In this regard, the Company is witnessing a radical development in its main systems such as the insurance operations management system and the enterprise resource planning (ERP) system, in addition to the comprehensive development of the Company's systems and applications on mobile devices and its electronic portals available to customers to carry out their operations efficiently and smoothly and to provide service and technical support to them with the latest technologies and solutions.

From a strategic perspective, IT sector initiatives and projects also revolve around the application of systems and solutions that will achieve rationalization of operational expenses, raise the degree of commitment and quality, protect the Company's business from risks and achieve the company's strategic objectives.



## 5. Employees

### 5.1 Employee share programs before the application for registration and acceptance of listing of the Rights Issue

The Company has no employee stock ownership program or any other arrangements that can facilitate the acquisition of the Company's shares by the Company's staff (including senior management).

### 5.2 Arrangements granting employees a share in the Capital

There are no arrangements for granting employees a share in the capital as of the date of this Prospectus.



## 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

### 6.1 Introduction

This section provides an analysis of the operational performance and financial position of the Company, as highlighted below, for the financial years ended 31 December 2018G, 2019G and 2020G. The above-mentioned financial analysis should be read in conjunction with the Company's financial statements for the financial years ended 31 December 2018G, 2019G and 2020G and their accompanying notes.

The financial statements for the period ending on 31 December 2018G were reviewed and audited by Al Azem and Al Sudairy (Certified Public Accountants and Consultants – a member of Crowe International) and Al Bassam and Partners (Allied Accountants – PKF). The financial statements for the period ending on 31 December 2019G were audited and reviewed by Al Azem, Al Sudairy, Al Shaikh & Partners (Certified Public Accountants and Consultants – a member of Crowe International) and Associated Accountants (Houmod Al-Robian & Partner - Certified Accountants and Consultants). On the other hand, the financial statements for the period ending on 31 December 2020G were audited and reviewed by Al Azem, Al Sudairy, Al Shaikh & Partners (Certified Public Accountants and Consultants – a member of Crowe International) and Al Kharashi & Co. (Certified Accountants and Auditors).

Neither Al Azem, Al Sudairy, Al Shaikh & Partners (Certified Public Accountants and Consultants – a member of Crowe International), Associated Accountants (Houmod Al-Robian & Partner - Certified Accountants and Consultants), Al Bassam and Partners (Allied Accountants – PKF) and Al Kharashi & Co. (certified accountants and auditors) (the "Auditors"), nor its subsidiaries or any of their sister companies own any shares or interest of any kind in the Company that would affect their independence. The Auditors have provided their written consent to use their names, logos and statements, which have not been withdrawn as of the date of this Prospectus.

All amounts stated in this section are presented in Saudi Riyals (SAR), and all percentages are rounded to the nearest decimal point. Therefore, a calculation of the percentage increase/decrease based on amounts presented in tables within this section (shown in thousands of Riyals and rounded to the nearest whole number) may not be exactly equivalent to the corresponding percentages as stated in tables.

This section may include forward-looking statements about the Company's future plans based on the management's plans and current expectations for the Company's growth, results of operations, and financial condition. Therefore, they may entail risks and uncertainties. The Company's actual results could differ materially from those expressed or implied in such forward looking statements due to various factors and future events, including those discussed within this section and elsewhere in the Prospectus.

### 6.2 Directors' Declarations on Financial Statements

- 1- The Directors declare that the financial information contained in this section has been extracted without material changes and presented in a form consistent with the audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, which were prepared in accordance with 'International Financial Reporting Standards (IFRS) amended by the Saudi Central Bank.
- 2- The Directors declare that the Company has sufficient working capital for twelve (12) months following the publication date of this Prospectus.
- 3- The Directors declare that the Company is not aware of any seasonal factors or economic cycles associated with the business activities, which might have an impact on the business and the financial position of the Company.
- 4- The Directors declare that the Company is not aware of any information in connection to any governmental, economic, financial, monetary, political or any other factors which might have a material direct or indirect impact of the Company's operations; except for any factors disclosed in this Prospectus.
- 5- The Directors declares that the Company does not have shares under option as of the date of this Prospectus.
- 6- The Directors declare that, to the best of their knowledge and belief, there are no mortgages, rights, encumbrances or costs on the properties of the Company as of the date of this Prospectus.
- 7- With the exception of what was disclosed in this Prospectus in section 6.7.3 "**Shareholders' equity**" in relation to the accumulated losses, the Directors declare that there has been no material adverse change in the Company's financial or commercial position during the three financial years preceding the date of registration and offer of securities and up to the date of this Prospectus.
- 8- The Directors declare that the Company does not have any properties, including contractual securities or other assets, with whose value is subject to fluctuations or is difficult to ascertain such that it significantly affects the assessment of financial position.



- 9- The Directors declare that no commissions, discounts, brokerage fees or other non-cash compensations were granted by the Company to any Directors, senior executives, persons offering or providing securities, or any other experts during the three financial years immediately preceding the date of the registration and offer of securities and up to the date this Prospectus.
- 10- The Directors declare that all material facts relating to the Company and its financial performance have been disclosed in this Prospectus.
- 11- The Company does not have any potential commitments, guarantees or other fixed assets planned to be acquired or leased except what is disclosed in this prospectus.
- 12- The Directors declare that the Company does not have any other borrowings or indebtedness, including bank overdrafts, guarantee liabilities (covered or not covered by a personal guarantee or mortgage), liabilities under acceptances, acceptance credits, or hire purchase commitments, except for as disclosed in this section of this Prospectus.
- 13- The Directors declare that the Company did not issue any debt instruments or long-term loans, or mortgages (guaranteed or not guaranteed).

## 6.3 Basis of Preparation

### 6.3.1 Basis of presentation

The financial statements have been prepared on a historical cost basis except for the measurement at fair value of available for sale investments and investment in associates, which is accounted for under equity method.

### 6.3.2 Emphasis of matter

It should be noted that the audited financial statements for 2019G and 2020G included an emphasis of matter mentioning that the Company did not meet the solvency margin requirements as at 31 December 2020G, and that the deficiency in solvency margin indicates that a material uncertainty exists in connection to the Company's ability to continue as a going concern. However, the financial statements were prepared using the going-concern assumption based on the Company's ability to continue as a going concern.

It should be also noted that the audited financial statements for 2018G included an emphasis of matter mentioning that the Company did not meet the solvency margin requirements as at 31 December 2018G, and that the deficiency in solvency margin indicates that a material uncertainty exists in connection to the Company's ability to continue as a going concern. However, the financial statements were prepared using the going-concern assumption based on the company's ability to continue as a going concern. The emphasis of matter also mentioned that the Company has raised SAR 400 million through right issue to support the financial position of the Company.

### 6.3.3 Statement of compliance

The financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019G, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

### 6.3.4 Functional and presentation currency

The functional and presentational currency of the Company is Saudi Arabian Riyals. The financial statements are presented in Saudi Riyal rounded to nearest thousand (SAR'000) unless otherwise stated.



### 6.3.5 Going concern

The Company is yet to meet its solvency margin requirement.

SAMA had previously issued a letter number 391000054425 dated 29 January 2018G, preventing the Company from writing any new policies and renewing the existing policies since the Company did not meet the solvency margin requirements as at 31 December 2017G. SAMA, in its aforesaid letter, also instructed the Company to increase its share capital before 30 July 2018G to address the issue of its deteriorating solvency margin. The Company's Board of Directors in their meeting held on 6 February 2018G, recommended a right issue amounting to SAR 400 million in order to improve the solvency margin and the Company's future business activities. Such right issue was subjected to approval of the regulatory authorities and general assembly of the Company. SAMA later issued a letter dated 15 April 2018G allowing the Company to write new policies and renewing the existing policies starting from 17 April 2018G subject to certain conditions.

On 17 October 2018G the Company successfully raised capital of SAR 400 million through issuance of right shares.

The Board resolved at 18 December 2019G to reduce statutory reserve amounting to SAR 120 million against the accumulated losses, which had been approved in Annual General Assembly meeting held on 3 June 2020G and adjusted accordingly. Further the Board of directors in their meeting held on 6 October 2020G, recommended to reduce share capital by SAR 100 million and to increase share capital by SAR 350 million, the capital reduction and right issue is subject to the approval of the regulatory authorities and general assembly of the Company.

Management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying cash flow projections under such scenarios, management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the financial statements have been prepared on a going concern basis. Management's assessment is based on number of estimates and assumptions including significant recoveries from major policyholders, reinsurers and related parties and other cost saving measures.

On 17 October 2018G the Company successfully raised capital of SAR 400 million through issuance of right shares.

### 6.3.6 Surplus distribution

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Central Bank ("SAMA"). In case of losses, losses are absorbed by shareholders.

The insurance operations' surplus for the year ended 31 December 2020G amounted to SAR 33,233 thousand (31 December 2019G: SAR 9,955 thousand). Accordingly, 90% of the insurance operations' surplus amounting to SAR 29,910 thousand was transferred to shareholders' operations for the year, leaving a surplus payable to policyholders of SAR 3,323 thousand (31 December 2019G: the insurance operations' surplus amounting to SAR 8,960 thousand was transferred to shareholders' operations for the year, leaving a surplus payable to policyholders of SAR 995 thousand).

### 6.3.7 Changes in accounting policies

The accounting policies and risk management policy used in the preparation of the financial statement are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019G, except as explained below:

#### 6.3.7.1 New Standards, Amendment to Standards and Interpretations

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020G.

##### **Amendments to IFRS 3 – definition of a business**

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

##### **Amendments to IAS 1 and IAS 8 on the definition of material**

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

##### **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform**

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR (interbank offered rates) reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Profit or Loss.

The adoption of above amendments do not have any material impact on the Financial Statements during the year.



### 6.3.7.2 Standards and amendments published but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021G and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

#### Amendments to IAS 1 – Presentation of financial statements

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, 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.

#### Amendments to IFRS 3, IAS 16, IAS 37

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.

IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

### 6.3.7.3 Annual Improvements to IFRSs 2018G–2020G Cycle

These improvements are effective on or after 1 January 2021G.

- IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 per cent test" in order to assess whether to derecognise a financial liability.
- IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.
- IAS 41, 'Agriculture' – Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

#### IFRS 17 – Insurance Contracts

This standard has been published on May 18, 2017G, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contract.

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

- i. embedded derivatives, if they meet certain specified criteria;
- ii. distinct investment components; and
- iii. distinct performance obligations to provide non-insurance goods and services.
- iv. These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

#### Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015G, IFRS 17 provides the following different measurement models:

The General model is based on the following "building blocks":

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





#### ▪ the Contractual Service Margin (CSM).

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

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

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

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

- changes in the entity's share of the fair value of underlying items,
- changes in the effect of the time value of money and financial risks not relating to the underlying items.
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

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

#### **Effective Date**

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019G and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2021G. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022G. This is a deferral of 1 year compared to the previous date of January 1, 2021G. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

#### **Transition**

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

#### **Presentation and Disclosures**

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



## Impact

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program, which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company is in progress of designing operational aspects of the design phase, which includes establishing comprehensive data policy and data dictionary. Also, the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working on vendor selection while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

The Company had started with the implementation process and set up an IFRS 17 steering committee and working group.

## IFRS 9 – Financial Instruments

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

### (A) Classification and measurement:

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

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

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

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

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

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

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

### (B) Impairment:

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



### (C) Hedge accounting:

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

The implementation of IFRS 9 and the examination of its potential impact on the Company's financials is in progress. The published effective date of IFRS 9 is January 1, 2018G. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016G, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- apply a temporary exemption from implementing IFRS 9 until the earlier of:
  - the effective date of a new insurance contract standard; or
  - annual reporting periods beginning on or after January 1, 2022G following the IASB's proposal to report the effective application date of IFRS 17/ IFRS 9 of one-year. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has determined that it is eligible for the temporary exemption option (1). The eligibility conclusion is based on an analysis of the percentage of the total consolidated carrying amount of liabilities connected with insurance activities relative to the carrying amount of all liabilities, which indicates Company's activities are predominately connected with insurance. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

As at December 31, 2020G, the Company has total financial assets and insurance related assets amounting to SAR 2,049.12 million and SAR 1,016.46 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, short-term fixed deposits, premium and reinsurance receivable and other receivables amounting to SAR 1,458.20 million (2019G: SAR 1,302.20 million). Other financial assets consist of available for sale investments amounting to SAR 590.92 million (2019G: SAR 479.45 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in notes 33. The Company financial assets have low credit risk as at December 31, 2020G and 2019G. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.



## 6.4 Summary of significant accounting policies

The following is a summary of significant accounting policies followed in preparation of these financial statements:

### 6.4.1 Insurance contracts

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

### 6.4.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and short-term time deposits with an original maturity of less than three months at the date of acquisition.

### 6.4.3 Goodwill

Goodwill represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses, if any, relating to goodwill cannot be reversed in future periods.

### 6.4.4 Land, property and equipment

Land is stated at cost less any impairment and is not depreciated. Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis at the following depreciation rates:

Class of assets	Rates
Leasehold improvements	15% - 25%
Office equipment, furniture and fixtures	10% - 15%
Computers	25%
Motor vehicles	25%

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income.

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.

### 6.4.5 Intangible assets

IT development and software is shown at historical cost. It has a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following periods:

	Rates
IT development and software	15% - 25%



### 6.4.6 Investments

All investments are initially recognised at fair value, being the fair value of the consideration given, including acquisition charges associated with the investment except for investments at fair value through profit or loss. Premiums and discounts are amortized on a systematic basis to their maturity. For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the statement of financial position date without any deduction for transaction costs.

#### (A) Available for sale investments

Investments which are classified as "available for sale" are subsequently measured at fair value. Available for sale investments are those investments that are not held to maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly under insurance operations' surplus and / or shareholders' comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognised under the insurance operations' surplus and / or shareholders' comprehensive income is included in the statement of insurance operations and accumulated surplus and / or shareholders' operations for the year. Available for sale investments whose fair value cannot be reliably measured are carried at amortised cost less impairment provision.

#### (B) Investments in held to maturity securities

Investments which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity are 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. Any gain or loss on such investments is recognised in the statement of income - shareholders' operations when the investment is derecognized or impaired.

#### (C) Investment in an associate

Associates are enterprises in which the Company generally holds 20% to 50% of the voting power and / or over which it exercises significant influence. Investments in an associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

### 6.4.7 Statutory reserve

In accordance with its bylaws, 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. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2020G.

### 6.4.8 Impairment and un-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the cost and fair value (fair value being lower than cost), less any impairment loss previously recognized in the statement of shareholders' operations.
- For assets carried at cost, impairment is the difference between the cost and the present value (present value being lower than cost) of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is determined based on future cash flows that are discounted at the original effective special commission rate.

### 6.4.9 Accrued expenses and other liabilities

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

### 6.4.10 Special commission income

Special commission income from time deposits is recognized on an effective yield basis.

### 6.4.11 Dividend income

Dividend income is recognised when the right to receive dividend is established.



#### 6.4.12 Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

#### 6.4.13 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 of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

#### 6.4.14 Employees' end of service indemnities

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 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. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income – insurance operations.

#### 6.4.15 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 - insurance operations and accumulated surplus and shareholders' operations. 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 recognised in 'insurance operations surplus' in the statement of insurance operations and other comprehensive income under the statement of shareholders' comprehensive operations. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

#### 6.4.16 Offsetting financial assets and liabilities

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

#### 6.4.17 Premiums earned and commission income

Premiums are taken into income over the term of the policies to which they relate on a pro-rata basis. For engineering construction projects with policy terms in excess of one year, the premiums are taken into income linearly over the policy term. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represents premiums earned and fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses on continuing policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods:

- Actual number of days for all lines of business, except
- For engineering construction projects with policy terms in excess of one year, it is assumed that the risk is increasing linearly over the policy term.
- Last three month of premiums for marine cargo business.



#### 6.4.18 Premiums receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the de-recognition criteria for financial assets have been met.

#### 6.4.19 Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to statement of income - insurance operations and accumulated surplus / (deficit) as incurred. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position 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 at date of 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 date of statement of financial position and settlements and provisions in the following year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

#### 6.4.20 Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

#### 6.4.21 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 4 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 derecognised 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 recognised 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.

#### 6.4.22 Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised 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 derecognised 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 recognised 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 (effective interest rate) method when accrued.





#### 6.4.23 Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income - insurance operations and accumulated surplus and an unexpired risk provision is created.

#### 6.4.24 Deferred policy acquisition costs

Commissions, SAMA fees, CCHI fees, Najm fees, partial administration cost (related to underwriting and issuance of policy), and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognised as an expense when incurred. Amortization is recorded in the statement of income - insurance operations and accumulated surplus.

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 realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

#### 6.4.25 Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

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 - insurance operations and accumulated surplus.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised 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.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

#### 6.4.26 Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of income - insurance operations and accumulated surplus.

#### 6.4.27 Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.



## IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

### 6.4.28 Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

### 6.4.29 Unearned reinsurance commission

Commission receivable on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of income - insurance operations and accumulated surplus.

### 6.4.30 Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

### 6.4.31 Derecognition of financial instruments

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

### 6.4.32 Fair values

The fair value 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 that includes the use of mathematical models. The inputs of this models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

### 6.4.33 Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial statement is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles.
- Other classes, which covers any other classes of insurance not included above.

Shareholders' operations' is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.



Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

## 6.5 Significant Accounting Estimates and Assumptions

Following are the key assumptions regarding future and other sources of estimation uncertainty at the date of the statement of financial position that could lead to a material adjustment to the book value of assets and liabilities during the next fiscal year.

### 6.5.1 Ultimate liability arising from claims submitted under insurance contracts

The estimate of the ultimate liability arising from claims made under insurance contracts is one of the most important accounting estimates. It involves a significant degree of judgment on the part of the Company. There are several sources of uncertainty which must be taken into consideration when estimating the liability that the Company will have to pay under such claims. The provision for claims incurred but not reported is an estimate of the claims which are expected to be reported after the date of the statement of financial position, where the insured event occurred prior to the date of the statement of financial position. Liability is based on the best estimate of the ultimate cost of all claims incurred but not settled on a given date, whether reported or not, together with the related claims handling costs. The technical methods used by the Management to estimate the cost of reported and incurred but not reported claims is that of using past claims settlement methods to predict future claims settlement methods.

Following are the significant matters for estimation and judgments for the medical and motorservicing business. The Company utilizes the services of an independent actuary to determine such reserves.

As a first step towards setting incurred but not reported reserves for the medical and motorsectors, a quick analysis is prepared to assess how claims reserves were determined at the previous valuation date compared with actual developments.

The results of the quick analysis are taken into account when setting reserves for incurred but not reported claims. The analysis is carried out using the following methods:

- Chain Ladder Method – This is a cumulative method, using historical claims payment patterns and the cumulative proportions of claims incurred in a given year compared to those paid at the end of the fiscal year.
- Bornhuetter-Ferguson Method – This method combines actual past claims history with any prior information or forecasts which may be available in relation to the claims, for example, expected final loss ratios.
- Expected Loss Ratio Method – This method determines the expected amount of claims related to earned premiums. This method is used where an insurer lacks appropriate past claim occurrence data due to changes in product offerings, changes in claims settlement processes, etc.

Claims requiring court or arbitration decisions are assessed individually. Independent loss adjusters estimate property claims. The Management reviews its provisions for claims incurred and claims incurred but not reported on a quarterly basis.

The Company may face disputes with reinsurance companies, in addition to the possibility of reinsurers defaulting on their payments. The Company monitors the development of disputes and the strength of its reinsurance companies on a quarterly basis.

### 6.5.2 Premium deficiency reserve

The estimation of the medical and motorsector premium deficiency is greatly influenced by a number of assumptions related to future events and conditions, as it is based on the expected loss ratio for the portion of the risks of underwritten insurance policies in effect. In order to reach an estimate of the expected loss ratio, the actuary considers the relationship of claims and insurance premiums expected to be realized in the future.



### 6.5.3 Impairment losses on receivables

The Company assesses individually significant assets and receivables included in a group of financial assets with similar credit risk characteristics to determine their impairment. Receivables which are individually assessed for impairment and for which impairment losses are included are not included in the combined assessment of impairment. Such assessment requires making judgments. In making such judgments, the Company assesses the characteristics of past due credit risks as indicative of the ability to pay all amounts due in accordance with the contractual terms. In 2017G, the Company reviewed its provisioning approach and significantly increased the level of provisions related to receivables for insurance and reinsurance companies due to the increase in credit risk associated with receivables.

### 6.5.4 Goodwill

Impairment occurs when the value of an asset or cash-generating unit exceeds its recoverable amount, which is greater than its fair value less sale costs and its value in use. The Management believes that fair value less cost of sale analysis provides a higher value compared to the value in use and therefore, fair value less cost of sale is used to assess impairment. The Management hired an expert to evaluate the fair value less sale cost analysis through a market-based approach to test impairment. The fair value less sale cost is based on the quoted share price up to the close of the period and subsequent events up to the measurement date. In reaching a valuation under a market approach, the expert also applies some judgments and factors including analysis of multiples of the book value per share of similar companies and similar transactions.

### 6.5.5 Reinsurance

The Company calculates its reinsurance transactions based on the Management's understanding of the contractual terms of its reinsurance agreements.

### 6.5.6 Impact of the coronavirus (COVID-19) pandemic on the technical reserves of the medical sector and financial assets

On March 11 2020G, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic, acknowledging its rapid spread throughout the world. This outbreak has also affected the Gulf Cooperation Council GCC region, including Saudi Arabia. Governments around the world have taken steps to control the spread of the virus. Saudi Arabia in particular has implemented border closures, issued guidelines for social distancing, and announced closures and curfews nationwide.

In response to the spread of COVID-19 in GCC countries and other regions where the Company operates and the consequent disruption of social and economic activities in such markets, the Company's Management has assessed its proactive effects on its operations and has adopted a series of proactive and preventive measures and operations to ensure:

- The health and safety of its employees and the community surrounding its operations.
- The protection of the continuity of its business throughout the Kingdom.

### 6.5.7 Technical reserves for motors

In response to the coronavirus pandemic, the Saudi Central Bank issued Circular No. 189 (the "Circular") on May 8, 2020G to all insurance companies in the Kingdom of Saudi Arabia. Among various other matters related to the insurance sector, the Circular instructs all insurance companies to extend the validity period of all existing retail motor insurance policies by two months, and to provide additional coverage of two months for all new retail motor insurance policies underwritten within one month of the date of the Circular.

For new policies written in accordance with the above Circular, the premium is earned during the coverage period, i.e., 14 months according to the Company's accounting policy. There is no significant impact of the two-month extension on the premiums earned as of December 31, 2020G, as no significant amount of premiums were written during the one-month period. The Management, in cooperation with the appointed actuary, discussed a variety of internal factors and concluded that the Company will consider the two-month extension of motor insurance policies a new policy and allocate a premium deficiency reserve based on the expected claims amount of SAR 6.8 million for the two-month extension period.

### 6.5.8 Financial assets

Due to the coronavirus (COVID-19) pandemic, the Company has carried out an assessment in accordance with its accounting policy to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. Such factors include significant financial difficulties of issuers or debtors, default or delay in payment, the possible bankruptcy of an issuer or debtor or other financial reorganization, etc. For shares classified as available for sale, the Company has made an assessment to determine whether there has been a significant decline in the fair value of the financial assets to below their cost. Based on such assessments, the Company's Management believes that the coronavirus (COVID-19) pandemic did not have any material effects on the Company's reported results for the nine-month period ended on December 31, 2020G. The Company's Management continues to closely monitor the situation.



## 6.5.9 Credit risk management

The Company has strengthened its credit risk management policies to face the rapidly changing risks posed by the current circumstances. These include reviewing credit concentrations in economic sectors, the region and the counter party's level, and taking appropriate measures when necessary. Based on the review, the Company identified the following sectors which were significantly affected by the coronavirus (COVID-19) pandemic and lower oil prices:

- a. Contracting
- b. Airlines
- c. Shipping companies
- d. Hotels, etc.

## 6.6 Results of Operations

### 6.6.1 Income statement

The following table presents a list of insurance operations and accumulated surplus for the fiscal years ended December 31, 2018G, 2019G and 2020G.

Table No. (6.1): Income Statement

SAR,000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019GG	December 2020GG	
Revenues						
Gross underwritten premiums	2,069,473	2,421,277	2,534,501	17.0%	4.7%	10.7%
Ceded reinsurance premiums	(250,482)	(628,510)	(893,783)	150.9%	42.2%	88.9%
Excess of loss premiums – foreign	(15,521)	(55,401)	(55,755)	256.9%	0.6%	89.5%
Net underwritten insurance premiums	1,803,470	1,737,366	1,584,963	(3.7%)	(8.8%)	(6.3%)
Changes in unearned premiums, net	(12,783)	259,129	(107,921)	(2,127.1%)	(141.6%)	190.6%
Net earned insurance premiums	1,790,687	1,996,495	1,477,042	11.5%	(26.0%)	(9.2%)
Reinsurance commissions	54,027	98,912	180,469	83.1%	82.5%	82.8%
Total revenues	1,844,714	2,095,407	1,657,511	13.6%	(20.9%)	(5.2%)
Underwriting costs and expenses						
Total claims paid	(2,060,113)	(1,989,336)	(1,752,744)	(3.4%)	(11.9%)	(7.8%)
Expenses incurred related to claims	(77,133)	(27,244)	(32,561)	(64.7%)	19.5%	(35.0%)
Early settlement discount	87,599	101,070	76,053	15.4%	(24.8%)	(6.8%)
Reinsurers’ share of claims paid	380,720	361,784	498,315	(5.0%)	37.7%	14.4%
Net claims and other compensation paid	(1,668,927)	(1,553,726)	(1,210,937)	(6.9%)	(22.1%)	(14.8%)
Changes in claims under settlement, net	102,239	(100,729)	(79,709)	(198.5%)	(20.9%)	N/A
Changes in claims incurred but not reported, net	(18,260)	(30,317)	176,364	66.0%	(681.7%)	N/A
Net claims and other compensation incurred	(1,584,948)	(1,684,772)	(1,114,282)	6.3%	(33.9%)	(16.2%)
Premium deficiency reserve	(35,352)	30,522	(10,927)	(186.3%)	(135.8%)	(44.4%)
Other technical reserves	837	(5,134)	(12,401)	(713.4%)	141.5%	N/A
Policy underwriting costs	(123,7)	(117,785)	(100,135)	(4.8%)	(15.0%)	(10.1%)
Total underwriting costs and expenses	(1,743,239)	(1,777,169)	(1,237,7)	1.9%	(30.4%)	(15.7%)
Net underwriting income	101,475	318,238	419,766	213.6%	31.9%	103.4%
Expenses/(Other Operating Revenues)						
Provision for doubtful debts	(27,074)	36,882	(39,115)	(236.2%)	(206.1%)	20.2%



SAR*000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019GG	December 2020GG	
Provision for judicial claims	-	(24,246)	-	N/A	(100.0%)	N/A
General and administrative expenses	(266,372)	(365,927)	(369,267)	37.4%	(0.9%)	17.7%
Third party administrative fees	(47,648)	-	-	(100.0%)	-	N/A
Special commission income	13,291	30,243	15,709	127.5%	(48.1%)	8.7%
Income from investments in associate companies	5,017	4,420	3,942	(11.9%)	(10.8%)	(11.4%)
Profits realized on available for sale investments	6,016	(164)	9,288	(102.7%)	(5,763.4%)	24.3%
Dividend income	-	-	6,367	-	N/A	N/A
Other income	10,768	20,725	11,537	92.5%	(44.3%)	3.5%
Total other operating (expenses)/revenues	(306,002)	(298,067)	(361,539)	(2.6%)	21.3%	8.7%
<b>Net income/(loss) for the year before shareholders' earnings and before Zakat and income tax</b>	<b>(204,527)</b>	<b>20,171</b>	<b>58,227</b>	<b>(109.9%)</b>	<b>188.7%</b>	<b>N/A</b>
Net loss attributable to insurance operations	-	(995)	(3,323)	N/A	234.0%	N/A
<b>Net income/(loss) for the year after shareholders' earnings and before Zakat and income tax</b>	<b>(204,527)</b>	<b>19,176</b>	<b>54,904</b>	<b>(109.4%)</b>	<b>186.3%</b>	<b>N/A</b>
Zakat and income tax – current period	(6,323)	(14,091)	(4,591)	122.9%	(67.4%)	(14.8%)
Deferred tax	1,698	(1,961)	(13,400)	(215.5%)	583.3%	N/A
<b>Net income/loss for the year</b>	<b>(209,152)</b>	<b>3,124</b>	<b>36,913</b>	<b>(101.5%)</b>	<b>1,081.6%</b>	<b>N/A</b>

Source: Audited financial statements for the years ended on December 31, 2018G, 2019G and 2020G.

The increase in total underwritten insurance premiums by 17.0% in 2019G, from SAR 2,069.5 million in 2018G to SAR 2,421.3 million in 2019G was associated with an increase in medical insurance premiums. The increase in total underwritten premiums continued by 4.7% from SAR 2,421.3 million in 2019G to SAR 2,534.5 million in 2020G, mainly driven by the increase in motor insurance premiums.

Ceded reinsurance premiums include the domestic and foreign reinsurers' share in gross underwritten premiums plus excess of loss expenses. In 2019G, ceded reinsurance premiums increased by 150.9% from SAR 250.5 million in 2018G to SAR 628.5 million in 2019G as a result of the increase in the reinsurance ratio in most sectors, specifically the medical sector. Ceded reinsurance premiums continued to rise by 42.2%, from SAR 628.5 million in 2019G to SAR 893.8 million in 2020G, as a result of the increase in reinsurance premiums for the medical insurance sector and the motor sector.

The movement in net unearned premiums relates to the net change in the portion of unearned underwritten and ceded premiums during 2018G, 2019G and 2020G.

Reinsurance commission relates primarily to commission income earned from reinsurers, as commission income is based on agreements concluded with reinsurers. Reinsurers' commission witnessed an increase in the period between 2018G and 2020G. Reinsurance commission increased by 83.1%, from SAR 54.0 million in 2018G to SAR 98.9 million in 2019G. The increase continued in 2020G to reach SAR 180.5 million, at a rate of 82.5%, compared to SAR 98.9 million in 2019G, impacted by the increase in reinsurance commission generated from the medical insurance sector and the motor insurance sector.

Total claims paid decreased by 3.4%, from SAR 2,060.1 million in 2018G to SAR 1,989.3 million in 2019G, primarily due to an additional decrease in the volume of business activities concentrated in the property insurance sector. Total claims paid also decreased by 11.9%, from SAR 1,989.3 million in 2019G to SAR 1,752.7 million in 2020G, as a result of a decrease in the total number of claims in general. This is due to the closure of businesses and the imposition of a curfew in the Kingdom of Saudi Arabia during the coronavirus pandemic.

Expenses incurred in connection with claims are associated with expenses paid to third parties to administer claims filed in the course of business. Such expenses decreased by 64.7%, from SAR 77.1 million in 2018G to SAR 27.2 million in 2019G, as a result of the reclassification of fees paid for medical claims facilitation services provided by Medivisa Saudi Arabia, a related party, from underwriting costs and expenses to other operating expenses and revenues. Such expenses have increased by 19.5%, from SAR 27.2 million in 2019G to SAR 32.6 million in 2020G, as a result of the increase in claims concerning the medical sector.



The reinsurers' share of paid claims is related to and determined by the reinsurance arrangements for each of the Company's insurance segments. The reinsurers' share decreased by 5.0%, from SAR 380.7 million in 2018G to SAR 361.8 million in 2019G, as a result of the decrease in the reinsurers' share of property and accident insurance claims. However, the reinsurers' share of paid claims increased by 37.7%, from SAR 361.8 million in 2019G to SAR 498.3 million in 2020G, as a result of the increase in reinsurers' share related to the medical and motor insurance sectors.

Net claims and other compensation incurred (after calculating the provision related to claims under settlement and claims incurred but not reported) relate to the fluctuations in net claims and other compensation paid.

The provision for doubtful debts is related to the book value of long-standing premium receivables where events or circumstances indicate that the book value may not be recoverable. The Management adopted the method of calculating provisions during the period between 2012G and 2019G pursuant to the instructions of the Saudi Central Bank, by calculating the provisions from the beginning of the policy's validity period. In 2020G during the coronavirus pandemic, the Saudi Central Bank agreed to the use of the due date method to calculate provisions. The balances of the provision for doubtful debts fluctuated in 2018G, 2019G and 2020G, due to the fluctuation in the reversal of doubtful debts.

The premium deficiency reserve is created for insurance sectors based on the actuary's recommendation related to a number of assumptions regarding future conditions, depending on the expected loss ratio for the unexpired portion of the policy risks to reach an estimate of the expected loss ratio.

Other technical precautions mainly include precautions related to applicable risks.

Loss attributable to insurance operations was recorded in the years in which the net loss was recorded. Loss attributable to insurance operations amounted to SAR 1.0 million and SAR 3.3 million in 2019G and 2020G respectively.

The Company incurred a net loss of SAR 209.2 million in 2018G, and, on the other hand, recorded income of SAR 3.1 million and SAR 36.9 million in 2019G and 2020G respectively.

The differences between the net income/(loss) attributable to shareholders and net income/(loss) attributable to operations in 2018G, 2019G and 2020G are related to the Zakat expenses, which were recorded and reversed during such years. Also, 90.0% of the surplus from insurance operations was transferred to shareholders' operations during 2019G and 2020G, and the remaining 10.0% of the surplus was kept as part of the accumulated surplus attributable to insurance operations in accordance with the regulations of the Saudi Central Bank.

The following table shows the key performance indicators for the fiscal years ended December 31, 2018G, 2019G and 2020G.

**Table No. (6.2): Key Performance Indicators**

	Fiscal Year Ended December 31		
	2018G Audited	2019G Audited	2020G Audited
Ceding percentage	12.9%	28.2%	37.5%
Loss rate	88.5%	84.4%	75.4%
Expense rate	17.1%	14.9%	24.5%
Standard ratio	109.5%	100.4%	94.8%
Net commission rate	3.9%	1.1%	(5.1%)

Source: The Company





## 6.6.2 Underwritten premiums

The following table presents the total underwritten premiums for the fiscal years ended December 31, 2018G, 2019G and 2020G.

**Table No. (6.3): Underwritten Premiums**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	1,434,090	1,805,825	1,821,324	25.9%	0.9%	12.7%
Motor insurance	443,334	336,368	426,926	(24.1%)	26.9%	(1.9%)
Property and accident insurance	192,049	279,084	286,251	45.3%	2.6%	22.1%
<b>Total</b>	<b>2,069,473</b>	<b>2,421,277</b>	<b>2,534,501</b>	<b>17.0%</b>	<b>4.7%</b>	<b>10.7%</b>
<b>As a percentage of the total</b>						
Medical insurance	69.3%	74.6%	71.9%			
Motor insurance	21.4%	13.9%	16.8%			
Property and accident insurance	9.3%	11.5%	11.3%			
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G.

Medical insurance is the Company's main business sector. Underwritten premiums related to this sector accounted for 69.3%, 74.6% and 71.9% of the total underwritten premiums in 2018G, 2019G and 2020G, respectively.

Total underwritten premiums for the medical sector increased by 25.9% from SAR 1,434.1 million in 2018G to SAR 1,805.8 million in 2019G, as the Company concluded an agreement with the Saudi Electricity Company, increasing the Company's balance from SAR 29.9 million in 2018G to SAR 588.2 million in 2019G. Total underwritten premiums for the medical sector continued to increase by 0.9% from SAR 1,805.8 million in 2019G to SAR 1,821.3 million in 2020G due to the acquisition of new policies and the increase in business with small and medium-sized companies. The year 2020G witnessed an increase in the number of policies by 17.5% or 5,418 policies, from 30,898 policies in 2019G to 36,316 policies in 2020G.

Total underwritten premiums for motor vehicles decreased by 24.1% from SAR 443.3 million in 2018G to SAR 336.4 million in 2019G, mainly due to the non-renewal of third-party liability insurance policies. The year 2020G witnessed an increase in gross underwritten insurance premiums for motor vehicles by 26.9% from SAR 336.4 million in 2019G to SAR 426.9 million in 2020G as a result of adding the account of Al Yusr Leasing and Financing Company with a value of SAR 118.0 million. This increase in underwritten insurance premiums was affected by a decrease of 8.8% related to the balances of some renewable accounts, including the accounts of Al Wefaq Group, Al Jazirah Vehicles Agencies, Tuwaiq Maintenance and Operation Company, and Saudi Arabia for Public Transport (SAPTCO).

Total underwritten premiums for property and accident insurance increased by 45.3% from SAR 192.0 million in 2018G to SAR 279.1 million in 2019G, affected by the increase in private and engineering property insurance. The property and accident sector continued to grow by 2.6% to reach SAR 286.3 million in 2020G. This was due to the addition of the account of Sky Prime Aviation Services, amounting to SAR 13.3 million, and the account of Ruwad Civil Construction, a new customer which contributed SAR 5.1 million to the total underwritten premiums. Such increase did not have a strong impact on the total underwritten premiums for property insurance as a result of the non-renewal of the account of the Saline Water Conversion Corporation (SWCC), which amounted to SAR 35 million in 2019G.



### 6.6.3 Ceded reinsurance premiums

The following table presents the ceded insurance premiums (including excess of loss) for the fiscal years ended December 31, 2018G, 2019G and 2020G.

**Table No. (6.4): Ceded Reinsurance Premiums**

SAR,000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	-	230,830	457,329	N/A	98.1%	N/A
Motor insurance	94,809	151,357	201,890	59.6%	33.4%	45.9%
Property and accident insurance	155,673	246,323	234,564	58.2%	(4.8%)	22.8%
<b>Total</b>	<b>250,482</b>	<b>628,510</b>	<b>893,783</b>	<b>150.9%</b>	<b>42.2%</b>	<b>88.9%</b>
<b>Total underwritten premium ratio (ceding ratio)</b>						
Medical insurance	-	10.5%	23.0%			
Motor insurance	19.6%	43.1%	46.4%			
Property and accident insurance	77.2%	85.5%	77.2%			
<b>Total</b>	<b>12.9%</b>	<b>28.2%</b>	<b>37.5%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The Company reinsures some of the policies issued thereby through third-party reinsurers. Article 40)2) of the Saudi Central Bank's Implementing Regulations of the Cooperative Insurance Companies Control Law requires that insurance companies reinsure 30.0% of the total insurance premiums within the Kingdom, Article 40)3) allows insurance companies to deviate from the requirement, subject to the written approval of the Saudi Central Bank. Reinsurers from outside the Kingdom of Saudi Arabia represented 99.1%, 98.9%, and 99.8% for the fiscal years ended December 31, 2018G, 2019G, and 2020G respectively. This shows that the Company did not comply with the Saudi Central Bank's regulations as almost all reinsurance premiums were assigned outside the Kingdom of Saudi Arabia. The Company's Management explained that this noncompliance is due to a lack of local reinsurance capacity available in the Saudi market. The Management indicated that the Saudi Central Bank was aware of this noncompliance as it was reported in the Saudi Central Bank's report form (71).

The property and accident insurance sector held the largest share in terms of reinsurance activities for the fiscal years ended December 31, 2018G and 2019G, as ceded reinsurance premiums related to this sector constituted 62.1% and 39.2%, respectively. In 2020G, the medical insurance sector constituted 51.2% of total ceded reinsurance premiums, which represents the largest percentage recorded in that year.

The ceding percentage increased from 12.9% in fiscal year 2018G to 28.2% in fiscal year 2019G, primarily due to the commencement of reinsurance agreements under the medical insurance line. The ceding percentage also rose from 27.9% in 2019G to 37.5% in 2020G, primarily due to the increase of the ceding percentage in the Saudi Electricity Company agreement from 39.5% in 2019G to 75.0% in 2020G. The ceding percentage rose from 12.9% in fiscal year 2018G to 28.2% in fiscal year 2019G, primarily due to the commencement of reinsurance agreements under the health insurance line.

The medical insurance sector was ceded in 2019G as part of the reinsurance strategy to improve the Company's margin of solvency by sharing more risks and consequently sharing premiums with reinsurers.



#### 6.6.4 Net underwritten insurance premiums

The following table shows the net underwritten insurance premiums for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.5): Net Underwritten Insurance Premiums**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	1,434,090	1,533,933	1,325,737	7.0%	(13.6%)	(3.9%)
Vehicle insurance	340,504	178,499	221,088	(47.6%)	23.9%	(19.4%)
Property and accident insurance	28,876	24,934	38,138	(13.7%)	53.0%	14.9%
<b>Total</b>	<b>1,803,470</b>	<b>1,737,366</b>	<b>1,584,963</b>	<b>(3.7%)</b>	<b>(8.8%)</b>	<b>(6.3%)</b>
<b>As a percentage of the total</b>						
Medical insurance	79.5%	88.3%	83.6%			
Vehicle insurance	18.9%	10.3%	13.9%			
Property and accident insurance	1.6%	1.4%	2.4%			
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G

The decrease in net underwritten insurance premiums in fiscal year 2019G was affected by the decrease in net underwritten insurance premiums in the motor insurance sector, which recorded the highest decrease rate, followed by the property and accident insurance sector. In 2020G, the decrease in net underwritten insurance premiums was primarily affected by the decrease in net underwritten insurance premiums in the medical sector.

Net underwritten insurance premiums decreased by 3.7% and 8.8% in the fiscal years ended December 31, 2019G and 2020G respectively, recording 1,585.0 million Saudi riyals in 2020G, compared with 1,737.4 million Saudi riyals in 2019G. This annual decrease resulted from the decrease in the Company's business, primarily driven by the motor insurance and medical insurance sectors in 2019G and 2020G respectively.

#### 6.6.5 Changes in unearned insurance premiums (net)

Changes in unearned insurance premiums represent the difference between underwritten (registered) insurance premiums and earned insurance premiums during the year. They are related to the net movement in the share of unearned insurance premiums ceded during the year.

#### 6.6.6 Net earned insurance premiums

The following table shows the net earned insurance premiums during the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.6): Net Earned Insurance Premiums**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	1,380,884	1,688,629	1,218,209	22.3%	(27.9%)	(6.1%)
Vehicle insurance	367,546	279,821	221,267	(23.9%)	(20.9%)	(22.4%)
Property and accident insurance	42,257	28,045	37,566	(33.6%)	33.9%	(5.7%)
<b>Total</b>	<b>1,790,687</b>	<b>1,996,495</b>	<b>1,477,042</b>	<b>11.5%</b>	<b>(26.0%)</b>	<b>(9.2%)</b>
<b>As a percentage of the total</b>						
Medical insurance	77.1%	84.6%	82.5%			
Vehicle insurance	20.5%	14.0%	15.0%			
Property and accident insurance	2.4%	1.4%	2.5%			
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



Net earned insurance premiums fluctuated during the period of the analysis, primarily driven by the changes in net earned insurance premiums of the medical sector, which represents 77.1%, 84.6%, and 82.5% as at December 31, 2018G, 2019G, and 2020G respectively.

### 6.6.7 Total claims paid

The following table presents total claims paid for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.7): Total Claims Paid**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	1,445,106	1,493,521	1,389,378	3.4%	(7.0%)	(1.9%)
Vehicle insurance	334,554	339,093	284,670	1.4%	(16.0%)	(7.8%)
Property and accident insurance	280,453	156,722	78,696	(44.1%)	(49.8%)	(47.0%)
<b>Total</b>	<b>2,060,113</b>	<b>1,989,336</b>	<b>1,752,744</b>	<b>(3.4%)</b>	<b>(11.9%)</b>	<b>(7.8%)</b>
<b>As a percentage of total underwritten premiums</b>						
Medical insurance	100.8%	82.7%	76.3%			
Vehicle insurance	75.5%	100.8%	66.7%			
Property and accident insurance	146.0%	56.2%	27.5%			
<b>Total</b>	<b>99.5%</b>	<b>82.2%</b>	<b>69.2%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Total claims paid dropped by 3.4%, from SAR 2,060.1 million in 2018G to SAR 1,989.3 million in 2019G. The property and accident insurance sector was the most affected by the decrease in total claims paid following the decrease of claims in the property and accident insurance sector in 2019G by 44.1% or SAR 123.7 million, from SAR 280.5 million in 2018G to SAR 156.7 million in 2019G. Although total claims paid in the medical sector increased by 3.4%, from SAR 1,445.1 million 2018G to SAR 1,493.5 million in 2019G, associated with the increase in the number of claims by policyholders, this increase had no material impact on the total claims paid, as the increase generated from the medical sector amounted to just SAR 48.4 million.

In 2020G, total claims paid dropped by 11.9%, from SAR 1,989.3 million in 2019G to SAR 1,752.7 million in 2020G, due to the overall decrease in the number of claims.

### 6.6.8 Reinsurers' share of total claims paid

The following table presents the reinsurers' share of total claims paid for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.8): Reinsurers' share of total claims paid**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	-	103,465	274,655	N/A	165.5%	N/A
Vehicle insurance	91,436	105,014	126,774	14.8%	20.7%	17.7%
Property and accident insurance	289,284	153,305	96,886	(47.0%)	(36.8%)	(42.1%)
<b>Total</b>	<b>380,720</b>	<b>361,784</b>	<b>498,315</b>	<b>(5.0%)</b>	<b>37.7%</b>	<b>14.4%</b>
<b>As a percentage of total paid claims</b>						
Medical insurance	-	6.9%	19.8%			
Vehicle insurance	27.3%	31.0%	44.5%			
Property and accident insurance	103.1%	97.8%	123.1%			
<b>Total</b>	<b>18.5%</b>	<b>18.2%</b>	<b>28.4%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



The reinsurers' share of total claims paid dropped by 5.0%, from SAR 380.7 million in 2018G to SAR 361.8 million in 2019G, primarily driven by the increase in the medical reinsurers' share from SAR nil to SAR 103.5 million as a result of ceding the sector to reinsurers to reduce the risks and losses associated with the sector. In 2020G, the total reinsurers' share witnessed an increase of 37.7%, from SAR 361.8 million in 2019G to SAR 498.3 million in 2020G, primarily affected by the increase in the medical reinsurers' share by SAR 171.2 million during said period.

## 6.6.9 Net claims incurred

The following table shows the net claims incurred for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.9): Net Claims Incurred**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	1,339,769	1,430,093	937,356	6.7%	(34.5%)	(16.4%)
Vehicle insurance	252,764	240,183	178,310	(5.0%)	(25.8%)	(16.0%)
Property and accident insurance	(7,585)	14,496	(1,384)	(291.1%)	(109.5%)	(57.3%)
<b>Net</b>	<b>1,584,948</b>	<b>1,684,772</b>	<b>1,114,282</b>	<b>6.3%</b>	<b>(33.9%)</b>	<b>(16.2%)</b>
<b>Loss ratio</b>						
Medical insurance	97.0%	84.7%	76.9%			
Vehicle insurance	68.8%	85.8%	80.6%			
Property and accident insurance	(17.9%)	51.7%	(3.7%)			
<b>Net</b>	<b>88.5%</b>	<b>84.4%</b>	<b>75.4%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Net claims incurred during 2019G rose by 6.3%, from SAR 1,584.9 million in 2018G to SAR 1,684.8 million in 2019G, primarily driven by the increase of changes in net claims under settlement by SAR 203.0 million, in addition to the increase of changes in net incurred but not reported claims by SAR 12.1 million during the same period. During the same period, net paid claims dropped by SAR 115.2 million, which reduced the impact of the increase in net claims under settlement and the net change in claims incurred but not reported. The medical insurance sector had the biggest impact on this increase as it rose by SAR 90.3 million.

In 2020G, net claims incurred dropped by 33.9%, from SAR 1,684.8 million in 2019G to SAR 1,114.3 million in 2020G. This is due to the decrease in net claims incurred in all sectors, particularly in the medical insurance sector, by SAR 492.7 million.

## 6.6.10 Policy underwriting costs

The following table shows the policy underwriting costs for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.10): Policy Underwriting Costs**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	74,383	81,596	61,056	9.7%	(25.2%)	(9.4%)
Vehicle insurance	33,381	20,823	19,444	(37.6%)	(6.6%)	(23.7%)
Property and accident insurance	16,012	15,366	19,635	(4.0%)	27.8%	10.7%
<b>Total</b>	<b>123,776</b>	<b>117,785</b>	<b>100,135</b>	<b>(4.8%)</b>	<b>(15.0%)</b>	<b>(10.1%)</b>
<b>As a percentage of the total</b>						
Medical insurance	60.1%	69.3%	61.0%			
Vehicle insurance	27.0%	17.7%	19.4%			
Property and accident insurance	12.9%	13.0%	19.6%			
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



Policy acquisition costs primarily represent expenses incurred to acquire insurance policies, and primarily represent commissions paid to sales brokers and amortization of deferred administration cost. Policy acquisition costs dropped between 2018G and 2019G as a result of limiting the losses arising from third-party liabilities under the motors item. Policy acquisition costs dropped by 15.0%, from SAR 117.8 million in 2019G to SAR 100.1 million in 2020G, as a result of the decrease of acquisition costs in the medical and motor insurance sectors, mainly due to policies underwritten through direct points of sale. The Saudi Electricity Company was a major contributor to the medical insurance sector in 2019G, and Al Yusr Leasing and Financing Company was a major contributor to the motor insurance sector in 2020G.

### 6.6.11 Income from reinsurance commission

The following table shows income from reinsurance commission for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.11): Income from Reinsurance Commission**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	-	35,779	103,954	N/A	190.5%	N/A
Motor insurance	26,395	31,210	50,424	18.2%	61.6%	38.2%
Property and accident insurance	27,632	31,923	26,091	15.5%	(18.3%)	(2.8%)
<b>Total</b>	<b>54,027</b>	<b>98,912</b>	<b>180,469</b>	<b>83.1%</b>	<b>82.5%</b>	<b>82.8%</b>
<b>As a percentage of the total</b>						
Medical insurance	-	36.2%	57.6%			
Vehicle insurance	48.9%	31.6%	27.9%			
Property and accident insurance	51.1%	32.3%	14.5%			
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The Company receives income from reinsurance commission from reinsurance policies with other reinsurance companies. In 2019G, reinsurers' commission rose by 83.1%, from SAR 54.0 million in 2018G to SAR 98.9 million in 2019G, driven by an increase in ceding percentages in general, especially in the medical insurance sector.

Reinsurers' commission rose by 82.5%, from SAR 98.9 million in 2019G to SAR 180.5 million in 2020G. This increase was driven by the increase in the overall ceding percentage.

### 6.6.12 Allowances for doubtful debts

The allowance for doubtful debts represents the provision for premiums and the reinsurance balance receivable. The allowance for doubtful debts fluctuated during the fiscal years ended 2018G, 2019G, and 2020G, due to the reversal and increase of the allowances for doubtful debts based on the subsequent collection processes.

### 6.6.13 Allowance for judicial claims

An allowance for judicial claims was created in 2019G primarily due to the labor lawsuit filed against Medgulf by a group of former employees. The sums claimed were settled with the claimants, which lowered said allowance from SAR 24.2 million in 2019G to SAR nil in 2020G. Consequently, the labor lawsuit was not included in Section 10.5 "Disputes and litigation".



### 6.6.14 General and administrative expenses

The following table shows the general and administrative expenses for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.12): General and Administrative Expenses**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Insurance operations						
Variable costs						
Council of Cooperative Health Insurance fees	13,860	18,108	18,413	30.6%	1.7%	15.3%
Withholding taxes	16,000	31,499	48,725	96.9%	54.7%	74.5%
Saudi Central Bank fees	11,186	12,106	5,113	8.2%	(57.8%)	(32.4%)
U.S. service fees	2,999	2,803	2,571	(6.5%)	(8.3%)	(7.4%)
Al-Elm fees	2,984	4,266	7,828	43.0%	83.5%	62.0%
Third party administrative fees	-	59,714	7,491	-	(87.5%)	N/A
Other	2,046	11,211	5,106	447.9%	(54.5%)	58.0%
	49,075	139,707	95,247	184.7%	(31.8%)	39.3%
Fixed costs						
Employee salaries and costs	145,892	149,082	193,337	2.2%	29.7%	15.1%
Rent	16,058	13,952	12,343	(13.1%)	(11.5%)	(12.3%)
Outsourcing	11,699	12,725	18,387	8.8%	44.5%	25.4%
Depreciation and amortization	8,956	8,258	9,563	(7.8%)	15.8%	3.3%
Professional fees	7,974	9,276	8,277	16.3%	(10.8%)	1.9%
Maintenance and repair	4,460	6,283	4,065	40.9%	(35.3%)	(4.5%)
Communication	3,316	3,755	4,801	13.2%	27.9%	20.3%
Stationery	3,090	1,936	1,181	(37.3%)	(39.0%)	(38.2%)
Advertising and promotion	2,605	1,888	1,566	(27.5%)	(17.1%)	(22.5%)
Travel and business trips	1,447	2,486	2,234	71.8%	(10.1%)	24.3%
Utilities	1,323	1,661	1,672	25.5%	0.7%	12.4%
Other expenses	4,370	7,429	11,326	70.0%	52.5%	61.0%
	211,190	218,731	268,752	3.6%	22.9%	12.8%
Total fixed and variable costs	260,265	358,438	363,999	37.7%	1.6%	18.3%
Shareholders' operations						
Fixed costs						
Professional fees	1,295	1,589	680	22.7%	(57.2%)	(27.5%)
Stationery	-	8	-	N/A	(100.0%)	-
Advertising and promotion	25	23	-	(8.0%)	(100.0%)	-
Travel and business trips	-	94	4	N/A	(95.7%)	N/A
Fees of the Board of Directors and other committees	3,959	4,906	4,280	23.9%	(12.8%)	4.0%
Other expenses	828	869	304	5.0%	(65.0%)	(39.4%)
	6,107	7,489	5,268	22.6%	(29.7%)	(7.1%)
Total costs of insurance and shareholders operations	266,372	365,927	369,267	37.4%	0.9%	17.7%

Source: The Company and the Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G.





General and administrative expenses mainly include employee costs, rent, depreciation and amortization, professional fees, communications, advertising and promotional expenses, withholding tax provision and other expenses. General and administrative expenses increased by 37.4%, from SAR 266.4 million in 2018G to SAR 365.9 million in 2019G. The increase was affected by the increase in general and administrative expenses resulting from insurance operations, which constituted 98.6% of the total increase for the year. This increase is mainly due to the classification of third-party administrative fees from other operating expenses and income to part of the general and administrative expenses arising from insurance operations, in addition to an increase in withholding taxes.

General and administrative expenses increased by 0.9% in 2020G, from SAR 365.9 million in 2019G to SAR 369.3 million in 2020G, as a result of an increase in employee costs and withholding taxes by SAR 44.3 million and SAR 17.2 million, respectively. The same period witnessed a decrease in third-party administrative fees by SAR 52.2 million, mainly due to the cancellation of the service contract with Medivisa during 2020G and the transfer of all employees and equipment under the Company's sponsorship and ownership, which reduced the impact of the increase in employee costs and withholding taxes.

### 6.6.15 Income from special commissions

Special commission income is related to income generated from term deposits, sukuk and profits and dividends from investments. The fluctuations witnessed in these revenues are mainly due to a change in the value of term deposits and the interest rate among Saudi banks. Income from special commissions increased by 127.5% during 2019G as a result of higher interest rates and an increase in the value of deposits between the two aforementioned years. Income decreased by 48.1% during 2020G, as a result of the maturity of some term deposits and sukuk.

### 6.6.16 Profits from investments

Profits recorded under investments in associate companies represent dividend income from investments in the capital of Waseel for Electronic Transmission for 25.0% of the Company's equity.

#### 6.6.16.1 Profits from investments in associate companies

Profits from investments in associate companies decreased by 11.9%, from SAR 5.0 million in 2018G to SAR 4.4 million in 2019G, with an additional decrease of 10.8% from SAR 4.4 million in 2019G to SAR 3.9 million in 2020G. The movement of profits was mainly related to the movement of profits achieved by Waseel for Electronic Transmission.

#### 6.6.16.2 Available for sale investments

Gains generated from available for sale investments in 2018G and 2020G amounted to SAR 6.0 million and SAR 9.3 million, respectively, with respect to the sale of mutual fund assets, shares, sukuk and bond investments. Losses were recorded under the value of available for sale investments in 2019G, as the Company sold some investments at a loss.

### 6.6.17 Other income

The following table shows other income details for the fiscal years ended December 31, 2018G, 2019G and 2020G.

Table No. (6.13): Other Income

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Reversal of the provision surplus after final settlement with the General Authority of Zakat and Income	-	15,791	-	N/A	(100.0)%	N/A
Income from Umrah agreement	-	-	4,444	-	N/A	N/A
Other	10,768	4,934	7,093	(54.2%)	43.8%	(18.8%)
<b>Total</b>	<b>10,768</b>	<b>20,725</b>	<b>11,537</b>	<b>92.5%</b>	<b>(44.3%)</b>	<b>3.5%</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The Management clarified that the balance of other income in 2018G represents the Company's share of the surplus from the Ports Fund for third-party liability insurance, as the Company entered into an agreement with Tawuniya Cooperative Insurance Company to participate in insuring foreign vehicles entering the Kingdom via all borders. Other income in 2018G increased by 92.5%, from SAR 10.8 million to SAR 20.7 million in 2019G, mainly due to the reversal of the provision recorded for withholding tax related to the General Authority of Zakat and Income for the open years.

The Company's Management also clarified that the balance of other revenues in 2020G included a share of the Umrah agreement, which involves providing medical insurance services for foreign Umrah performers traveling to the Kingdom of Saudi Arabia for Umrah via all borders. It also included funds from the Human Resources Development Fund support.



Other income decreased in 2020G by 44.3%, from SAR 20.7 million in 2019G to SAR 11.5 million in 2020G. The decrease was affected by the reversal of the distribution of surplus policyholders for fiscal year 2014G. The surplus distribution was recorded at a high value in previous years as a precautionary measure. The balance was partially reversed in 2020G after recalculating and evaluating the balance to be recorded.

## 6.7 Statement of Financial Position

The following table provides a summary of the Company's statement of financial position as of December 31, 2018G, 2019G and 2020G.

**Table No. (6.14): Statement of Financial Position**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Total assets	3,486,872	3,500,887	3,848,469	0.4%	9.9%	5.1%
Total liabilities	2,805,070	2,794,732	3,088,772	(0.4%)	10.5%	4.9%
Total shareholders' equity	681,802	706,155	759,697	3.6%	7.6%	5.6%
<b>Total liabilities and shareholders' equity</b>	<b>3,486,872</b>	<b>3,500,887</b>	<b>3,848,469</b>	<b>0.4%</b>	<b>9.9%</b>	<b>5.1%</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Assets consisted mainly of cash and cash equivalents, insurance premiums, reinsurers' premiums and receivables and goodwill. These three components constituted 65.5%, 38.4% and 45.2% of the total assets as of December 31, 2018G, December 31, 2019G and December 31, 2020G.

Assets witnessed a slight increase of 0.4% from SAR 3,486.9 million in 2018G to SAR 3,500.9 million in 2019G, due to an increase in available for sale investments. Then total assets increased in 2020G as compared to the previous year by 9.9% to SAR 3,848.5 million in 2020G, mainly due to the increase in premiums and net receivables of reinsurers and the balance of cash and investments.

Liabilities mainly consisted of unearned insurance premiums, claims under settlement and claims incurred but not reported, which constituted approximately 78.0%, 78.8% and 75.2% of the total liabilities as of December 31, 2018G, December 31, 2019G and December 31, 2020G respectively. Total liabilities also decreased during 2019G by 0.4%, mainly driven by unearned insurance premiums and claims under settlement. Total liabilities increased by 10.5% from SAR 2,794.7 million as of December 31, 2019G to SAR 3,088.8 million as of December 31, 2020G. The increase is mainly due to an increase in accrued expenses, other liabilities and total claims under settlement.

Shareholders' equity consisted mainly of the Company's capital. The movement of shareholders' equity was greatly affected by the increase in the reserves of fair value profits for available for sale investments that the Company recorded between December 31, 2019G and December 31, 2020G and net income, which led to the absorption of some accumulated losses.

### 6.7.1 Assets

The following table presents insurance transaction assets as of December 31, 2018G, 2019G and 2020G.

**Table No. (6.15): Assets**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Cash and cash equivalents	1,122,429	291,216	417,509	(74.1%)	43.4%	(39.0%)
Short term deposits	-	266,884	18,477	N/A	(93.1%)	N/A
Reinsurers' premiums and receivables, net	681,078	572,215	842,898	(16.0%)	47.3%	11.2%
Reinsurers' share of unearned premiums	282,901	290,619	220,301	2.7%	(24.2%)	(11.8%)
Reinsurers' share of claims under settlement	294,162	334,829	474,022	13.8%	41.6%	26.9%
Reinsurers' share of claims incurred but not reported	126,644	222,617	261,982	75.8%	17.7%	43.8%
Deferred policy acquisition costs	76,227	67,196	60,156	(11.8%)	(10.5%)	(11.2%)
Due from a related party, net	63	63	1,994	-	3,065.1%	462.6%
Prepaid expenses and other assets, net	134,273	253,841	253,927	89.0%	0.0%	37.5%



SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Available for sale investments	74,151	479,445	590,916	546.6%	23.3%	182.3%
Right-of-use assets, net	-	25,854	16,285	N/A	(37.0%)	N/A
Properties and equipment, net	49,158	46,170	46,548	(6.1%)	0.8%	(2.7%)
Intangible assets, net	2,484	4,719	7,094	90.0%	50.3%	69.0%
Deferred tax assets	13,923	11,962	-	(14.1%)	(100.0%)	(100.0%)
Statutory deposit	120,000	120,000	120,000	-	-	-
Investment in associate companies	9,872	9,393	9,734	(4.9%)	3.6%	(0.7%)
Commissions payable on statutory deposit	19,507	23,864	26,626	22.3%	11.6%	16.8%
Goodwill	480,000	480,000	480,000	-	-	-
<b>Total assets</b>	<b>3,486,872</b>	<b>3,500,887</b>	<b>3,848,469</b>	<b>0.4%</b>	<b>9.9%</b>	<b>5.1%</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Cash and cash equivalents and net premiums and receivables of reinsurers formed the two fixed components of the Company's assets, representing 51.7%, 24.7% and 32.8% of the total assets as of December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively. Investments in short-term deposits, available for sale investments and investments in associate companies constituted an essential component of the assets between December 31, 2018G and December 31, 2020G, as these investments represented 2.4%, 21.6% and 16.1% of the total assets as at December 31, 2018G, December 31, 2019G and December 31, 2020G.

The slight increase in assets in 2019G was 0.4% from SAR 3,486.9 million as at December 31, 2018G to SAR 3,500.9 million as at December 31, 2019G, driven by the increase in available for sale investments by 546.6% from SAR 74.2 million as of December 31, 2018G to SAR 479.4 million as of December 31, 2019G.

The year 2020G witnessed a partial increase in assets by 9.9%, from SAR 3,500.9 million as of December 31, 2019G to SAR 3,848.5 million as of December 31, 2020G. The increase was mainly driven by the increase in balances of cash and cash equivalents, reinsurers' net premiums and receivables, reinsurers' claims under settlement and the balance of available for sale investments during the period.

#### 6.7.1.1 Cash and cash equivalents

The following table provides details of cash and cash equivalents as of December 31, 2018G, 2019G and 2020G.

**Table No. (6.16): Cash and Cash Equivalents**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Insurance operations						
Cash and bank balances	208,789	88,607	152,505	(57.6%)	72.1%	(14.5%)
Deposits due within 3 months from the date of acquisition	438,500	88,752	120,084	(79.8%)	35.3%	(47.7%)
	647,289	177,359	272,589	(72.6%)	53.7%	(35.1%)
Deposit against letters of guarantee	64,957	80,321	78,844	23.7%	(1.8%)	10.2%
Shareholders' operations						
Cash and bank balances	6,314	33,536	16,054	431.1%	(52.1%)	59.5%
Deposits due within 3 months from the date of acquisition	403,869	-	50,022	(100.0%)	N/A	(64.8%)
	410,183	33,536	66,076	(91.8%)	97.0%	(59.9%)
Cash balance and cash equivalents	1,122,429	291,216	417,509	(74.1%)	43.4%	(39.0%)
Cash and cash equivalents in the statement of cash flows	1,057,472	210,895	338,665	(80.1%)	60.6%	(43.4%)

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



## Insurance operations

Term deposits are the main component of cash and cash equivalents. Cash at banks refers to the current accounts into which deposits are made in the accounts of the various banks that the Company deals with and through which payments and withdrawals are made.

Short-term deposits are deposited at local banks and branches of foreign banks licensed to operate in the Kingdom of Saudi Arabia. Their original due date falls three months before the date of acquisition. These deposits earn interest of 3.2%, 2.3% and 0.6% as at December 31, 2018G, December 31, 2019G and December 31, 2020G.

Cash and cash equivalents include deposits provided against letters of guarantee. Such letters of guarantee represent amounts deposited at a local bank for issuing payment guarantees to the Company's clients and service providers. They are restricted in nature, and cannot be withdrawn and disposed of before their due date.

## Shareholders' operations

Cash and cash equivalents related to shareholders' operations mainly consist of cash at banks. The movement in cash and bank balances was mainly affected by the movement of cash generated from financing and investing activities as of December 31, 2018G, December 31, 2019G and December 31, 2020G. Short-term deposits constituted the equivalent of 98.5%, 0% and 75.7% of the total balance of cash and cash equivalents resulting from shareholders' operations.

### 6.7.1.2 Term deposits

These represent term deposits at local banks and branches of foreign banks licensed to work in the Kingdom of Saudi Arabia with a maturity period of more than three months from the date of acquisition. These investments generate a return of 3.04%, 2.43% and 2.13% as at December 31, 2018G, December 31, 2019G and December 31, 2020G.

The value of deposits increased in 2019G from zero on December 31, 2018G to SAR 266.9 million on December 31, 2019G (after the maturity period decreases to less than three months, the deposits are converted into cash). This increase was then followed by a decrease of 93.1%, from SAR 266.9 million as of December 31, 2019G to SAR 18.4 million as of December 31, 2020G due to the maturity of deposits and their conversion into cash and bank balances, with cash and bank balances resulting from insurance operations increasing by 72.1% during 2020G.

### 6.7.1.3 Reinsurance premiums and receivables

The following table presents reinsurance premiums and receivables as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.17): Reinsurance Premiums and Receivables**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Policyholders	450,663	407,434	373,784	(9.6%)	(8.3%)	(8.9%)
Brokers and agents	419,703	348,888	549,284	(16.9%)	57.4%	14.4%
Premium receivables	870,366	756,322	923,068	(13.1%)	22.0%	3.0%
Less: Provision for doubtful debts	(313,582)	(272,495)	(125,747)	(13.1%)	(53.9%)	(36.7%)
<b>Premium receivables, net</b>	<b>556,784</b>	<b>483,827</b>	<b>797,321</b>	<b>(13.1%)</b>	<b>64.8%</b>	<b>19.7%</b>
Reinsurers' receivables	339,354	307,208	207,275	(9.5%)	(32.5%)	(21.8%)
Less: Provision for doubtful debts	(215,060)	(218,820)	(161,698)	1.7%	(26.1%)	(13.3%)
<b>Reinsurers' receivables, net</b>	<b>124,294</b>	<b>88,388</b>	<b>45,577</b>	<b>(28.9%)</b>	<b>(48.4%)</b>	<b>(39.4%)</b>
<b>Reinsurance premiums and receivables, net</b>	<b>681,078</b>	<b>572,215</b>	<b>842,898</b>	<b>(16.0%)</b>	<b>47.3%</b>	<b>11.2%</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Balances due mainly include premiums received from direct policyholders and balances due from reinsurers.

Receivables due from policyholders represent 81.8%, 84.6% and 94.6% of the total net receivable balances as of December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively. The dues payable by reinsurers represented 18.2%, 15.4% and 5.4% of the net balance as at December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively.

The year 2019G witnessed a decrease in net reinsurance premiums and receivables by 16.0%, from SAR 681.0 million on December 31, 2018G to SAR 572.2 million on December 31, 2019G, due to an improved and efficient collection process. Net reinsurance premiums and receivables increased again by 47.3%, from SAR 572.2 million on December 31, 2019G to SAR 842.9



million as of December 31, 2020G, mainly due to an increase in the premium balances received from brokers and agents for new clients during 2020G.

Net receivables payable by reinsurers in particular decreased on December 31, 2019G, mainly affected by the provisions kept by the Management to calculate the balance of doubtful receivables to resolve problems related to qualifications in the audited financial statements. In addition, the decrease in net receivables due from reinsurers on December 31, 2020G was affected by the settlement of treaties on a net basis. Based on a discussion with the Management, SAR 65.0 million was written off and SAR 23.2 million was collected from reinsurers' receivables as at December 31, 2020G.

The following table shows the movement of the provision for doubtful debts for reinsurance premiums and receivables as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.18): Movement of the Provision for Doubtful Debts for Reinsurance Premiums and Receivables**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Opening balance	512,441	528,642	491,315	3.2%	(7.1%)	(2.1%)
Allowance for the year (reversal)	27,074	-	26,745	(100.0%)	N/A	N/A
Written off during the period	(10,873)	(37,327)	(230,615)	243.3%	517.8%	360.5%
<b>Closing balance</b>	<b>528,642</b>	<b>491,315</b>	<b>287,445</b>	<b>(7.1%)</b>	<b>(41.5%)</b>	<b>(26.3%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

It is worth noting that the carrying amount of receivables is reviewed to determine impairment and when events or circumstances indicate that the book value may not be recoverable, a write-off of the book value of the allowance for doubtful debts in the prior year is recorded based on the subsequent collection of receivables in the following year.

The Management adopted the establishment date method in calculating allowances during the period between 2012G and 2019G, based on the instructions of the Saudi Central Bank. In 2020G, the Saudi Central Bank recommended calculating allowances using the maturity date method.

The impairment allowance for doubtful debts for receivable reinsurance premiums and balances decreased by 7.1%, from SAR 528.6 million as at December 31, 2018G to SAR 491.3 million as at December 31, 2019G, after an increase in collections of receivable insurance premiums during the fiscal year 2019G. The allowance continued to decrease by 41.5% or the equivalent of SAR 203.9 million, from SAR 491.3 million on December 31, 2019G to SAR 287.4 million on December 31, 2020G, due to the allocation of 33.4% of the total receivables balance to Saudi Airlines receivables. The Management often experiences difficulty in collecting accounts receivable and therefore, allowances of 100.0% were calculated for the main outstanding balances of some customers, and an allowance of 81.8% was calculated for the balances of companies specializing in reinsurance.

The following table provides an analysis of the aging of total premiums receivable as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.19): Age class Analysis of Total Reinsurance Premiums and Receivables**

SAR'000	Total	Not Overdue and Not Impaired	Less than 30 Days	Between 31 and 90 Days	Overdue and Impaired
As at December 31, 2020G	1,130,343	561,318	102,803	44,978	421,244
As at December 31, 2019G	1,063,530	350,336	86,949	64,614	561,631
As at December 31, 2018G	1,209,720	436,998	150,268	39,359	583,095

Source: The Company and the Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G and 2020G.

The ages of receivable reinsurance premiums and balances in the above table indicate that 48.2%, 52.8% and 37.3% of reinsurance premiums and balances receivable as at December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively, existed for a period of more than one year, which indicates that the Company faces difficulties collecting a large portion of its receivable balances.



#### 6.7.1.4 Reinsurers' share of unearned premiums

The following table shows details of the movement of reinsurers' share of unearned premiums as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.20): Reinsurers' share of unearned premiums**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Unearned premiums						
At the beginning of the year	1,405,228	1,236,849	985,437	(12.0%)	(20.3%)	(16.3%)
Premiums underwritten during the year	2,069,473	2,421,277	2,534,501	17.0%	4.7%	10.7%
Premiums underwritten during the year	(2,237,852)	(2,672,689)	(2,496,897)	19.4%	(6.6%)	5.6%
As at the end of the year	1,236,849	985,437	1,023,041	(20.3%)	3.8%	(9.1%)
Reinsurers' share						
At the beginning of the year	(464,063)	(282,901)	(290,619)	(39.0%)	2.7%	(20.9%)
Premiums underwritten during the year	(266,003)	(628,510)	(893,783)	136.3%	42.2%	83.3%
Premiums underwritten during the year	447,165	620,792	964,101	38.8%	55.3%	46.8%
As at the end of the year	(282,901)	(290,619)	(220,301)	2.7%	(24.2%)	(11.8%)
Net	953,948	694,818	802,740	(27.2%)	15.5%	(8.3%)

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Reinsurers' share was 22.9%, 29.5% and 21.5% of the unearned premiums as at December 31, 2018G, December 31, 2019G and December 31, 2020G respectively.

Reinsurers' share of unearned premiums increased by 2.7%, from SAR 282.9 million as at December 31, 2018G to SAR 290.6 million as at December 31, 2019G, driven by the increase of unearned premiums from motor insurance in 2019G. Reinsurers' share of unearned premiums decreased slightly during the year ended December 31, 2020G, by 24.2%, mainly affected by the property and casualty insurance sector.

#### 6.7.1.5 Reinsurers' share of claims under settlement and claims incurred but not reported

The following table shows the reinsurers' share of claims under settlement and claims incurred but not reported, calculating the consideration for the total current claims as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.21): Reinsurers' Share of Claims Under Settlement and Claims Incurred but Not Reported.**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Incurred claims						
Claims under settlement at the end of the year	325,214	466,610	685,512	43.5%	46.9%	45.2%
Incurred but not reported	624,910	751,200	614,201	20.2%	(18.2%)	(0.9%)
	950,124	1,217,810	1,299,713	28.2%	6.7%	17.0%
Reinsurers' share						
Claims under settlement at the end of the year	(294,162)	(334,829)	(474,022)	13.8%	41.6%	26.9%
Incurred but not reported	(126,644)	(222,617)	(261,982)	75.8%	17.7%	43.8%
	(420,806)	(557,446)	(736,004)	32.5%	32.0%	32.3%
Net	529,318	660,364	563,709	24.8%	(14.6%)	3.2%

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Reinsurers' share represented 90.5%, 71.8% and 69.1% of the claims under settlement as at December 31, 2018G, December 31, 2019G and December 31, 2020G respectively.





Reinsurers' share was 20.3%, 29.6% and 42.7% of claims incurred but not reported as at December 31, 2018G, December 31, 2019G and December 31, 2020G respectively.

The following table shows the details of the reinsurers' share of claims under settlement, by sector, as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.22): Reinsurers' Share of Claims Under Settlement**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	-	35,567	75,091	N/A	111.1%	N/A
Vehicle insurance	(20,377)	(31,006)	3,145	52.2%	(110.1%)	N/A
Property and accident insurance	314,539	330,268	395,786	5.0%	19.8%	12.2%
<b>Total</b>	<b>294,162</b>	<b>334,829</b>	<b>474,022</b>	<b>13.8%</b>	<b>41.6%</b>	<b>26.9%</b>
<b>Reinsurer's share (%)</b>						
Medical insurance	-	2.4%	5.4%			
Vehicle insurance	(6.1%)	(9.1%)	1.1%			
Property and accident insurance	112.2%	210.7%	502.9%			
<b>Total</b>	<b>14.3%</b>	<b>16.8%</b>	<b>27.0%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Reinsurers' share of claims under settlement in the property and accident sector represented the highest percentage of the reinsurers' shares of claims under settlement compared to the medical and motorsectors, which represented about 106.9%, 109.3% and 99.3% of the total reinsurers' share of claims under settlement as at December 31, 2018G, December 31, 2019G and December 31, 2020G respectively.

Reinsurers' share of claims under settlement increased by 13.8%, from SAR 294.1 million on December 31, 2018G to SAR 334.8 million on December 31, 2019G, then increased by 41.6%, from SAR 334.8 million on December 31, 2019G to SAR 474.0 million on December 31, 2020G, due to the assignment of part of the balance of medical sector obligations to reinsurers on December 31, 2019G and September 30, 2020G, which affected the reinsurers' share of claims under settlement, growing from 0.0% on December 31, 2018G to 15.8% on December 31, 2020G.

The following table shows the details of the reinsurers' share of claims incurred but not reported by sector as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.23): Reinsurers' Share of Claims Incurred but Not Reported**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	-	44,725	87,538	N/A	95.7%	N/A
Vehicle insurance	48,733	69,961	54,576	43.6%	(22.0%)	5.8%
Property and accident insurance	77,911	107,931	119,868	38.5%	11.1%	24.0%
<b>Total</b>	<b>126,644</b>	<b>222,617</b>	<b>261,982</b>	<b>75.8%</b>	<b>17.7%</b>	<b>43.8%</b>
<b>Reinsurer's share (%)</b>						
Medical insurance	-	3.0%	6.3%			
Vehicle insurance	14.6%	20.6%	19.2%			
Property and accident insurance	27.8%	68.9%	152.3%			
<b>Total</b>	<b>6.1%</b>	<b>11.2%</b>	<b>14.9%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The property and accident sector represented the highest percentage of reinsurers' shares of claims incurred but not reported, compared to the medical and motorsectors, as it represented about 61.5%, 48.5% and 45.8% of the total reinsurers' share of claims incurred but not reported as at December 31, 2018G, December 31, 2019G and December 31, 2020G respectively.





The balance of the reinsurers' share of claims incurred but not reported increased by 75.8%, from SAR 126.6 million as at December 31, 2018G to SAR 222.6 million as at December 31, 2019G. In 2020G, the balance of the reinsurers' share of claims incurred but not reported saw an additional increase of 17.7% to SAR 262.0 million. The increase in both years was due to the increase of the reinsurers' share of the property and accident sector by 38.5% and 11.1% as at December 31, 2019G and December 31, 2020G respectively, in addition to a 95.7% increase of the reinsurers' share in the medical sector as at December 31, 2020G.

### 6.7.1.6 Investments

The following table shows a summary of investments as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.24): Investments**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Insurance operations						
Investment funds	-	10,181	10,502	N/A	3.2%	N/A
International instruments	25,000	-	-	(100.0%)	-	(100.0%)
	25,000	10,181	10,502	(59.3%)	3.2%	(35.2%)
Shareholders' operations						
Equity	1,923	136,990	186,407	7,023.8%	36.1%	884.6%
Investment funds	-	80,983	134,086	N/A	65.6%	N/A
Instruments	47,228	251,291	259,921	432.1%	3.4%	134.6%
	49,151	469,264	580,414	854.7%	23.7%	243.6%
Total	74,151	479,445	590,916	546.6%	23.3%	182.3%

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The Company's total investment portfolio increased by 546.6% or SAR 405.3 million, from SAR 74.1 million as at December 31, 2018G to SAR 479.4 million as at December 31, 2019G, due mainly to new investments acquired by the Company in a semi-governmental company. It then increased by 23.3% or SAR 111.5 million, from SAR 479.4 million as at December 31, 2019G to SAR 590.9 million as at December 31, 2020G, due mainly to the Company's investment in new government bonds, mutual funds and the purchase of listed securities.

### Insurance operations

Available for sale investments consist of mutual funds, bonds, instruments and shares issued by companies and financial institutions in the Kingdom of Saudi Arabia. The fair value of these investments through shareholders' equity in the abridged interim statement of financial position decreased by 59.3% from SAR 25.0 million as at December 31, 2018G to SAR 10.1 million as at December 31, 2019G, due to a decrease in the prices of certain shares in the portfolio. Insurance operations increased by 3.2%, from SAR 10.2 million in 2019G to SAR 10.5 million in 2020G, due to a slight increase in the fair value of investments.

Available for sale investments from insurance operations did not witness any significant fluctuations during the period between 2019G and 2020G.

### Shareholders' operations

The Company's investments through shareholders' operations consist of direct instruments, equity and investment funds.

The value of such investments witnessed an increase of 854.7% or SAR 420.1 million, from SAR 49.2 million as at December 31, 2018G to SAR 469.3 million as at December 31, 2019G, due to an increase in equity and instrument balances during the year. The increase in investments from shareholders' operations continued by 23.7% or SAR 111.2 million, from SAR 469.3 million as at December 31, 2019G to SAR 580.4 million as at December 31, 2020G, mainly due to the issuance of new government bonds, investments in mutual funds and the purchase of listed equity.



### 6.7.1.7 Deferred policy acquisition costs

The following table shows the movement of commissions incurred in operations as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.25): Movement of Commissions Incurred in Operations**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Movement of commissions incurred in operations						
At the beginning of the year	71,402	61,500	55,563	(13.9%)	(9.7%)	(11.8%)
Costs incurred during the year	114,938	108,754	93,095	(5.4%)	(14.4%)	(10.0%)
Amortized during the year	(124,840)	(114,691)	(102,368)	(8.1%)	(10.7%)	(9.4%)
As at the end of the year	61,500	55,563	46,290	(9.7%)	(16.7%)	(13.2%)
Movement of deferred administrative costs						
At the beginning of the year	13,663	14,727	11,633	7.8%	(21.0%)	(7.7%)
Amortized during the year	1,064	(3,094)	2,233	(390.8%)	(172.2%)	44.9%
As at the end of the year	14,727	11,633	13,866	(21.0%)	19.2%	(3.0%)
Total deferred underwriting costs at the end of the year	76,227	67,196	60,156	(11.8%)	(10.5%)	(11.2%)

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Commissions incurred in operations decreased from SAR 76.2 million on December 31, 2018G to SAR 67.2 million on December 31, 2019G and then decreased again to SAR 60.2 million on December 31, 2020G. The movement in commissions incurred in operations was mainly related to the movement in business activities among the fiscal years 2018G, 2019G and 2020G.

**Table No. (6.26): Deferred Costs of Policy Underwriting, by Sector**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	51,630	48,769	40,520	(5.5%)	(16.9%)	(11.4%)
Vehicle insurance	12,976	8,393	11,618	(35.3%)	38.4%	(5.4%)
Property and accident insurance	11,621	10,034	8,018	(13.7%)	(20.1%)	(16.9%)
<b>Total</b>	<b>76,227</b>	<b>67,196</b>	<b>60,156</b>	<b>(11.8%)</b>	<b>(10.5%)</b>	<b>(11.2%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The medical insurance sector formed the main component of deferred insurance policy underwriting costs, representing 67.7%, 72.6% and 67.4% as at December 31, 2018G, December 31, 2019G and December 31, 2020G respectively.



### 6.7.1.8 Related parties

Companies identified as related parties mainly represent memberships on Boards of Directors and executive positions held by Medgulf shareholders in other companies and transactions carried out with related parties between December 31, 2018G, 2019G and 2020G.

The following table shows the liability to the Company's related parties for the fiscal years ended December 31, 2018G, 2019G and 2020G.

**Table No. (6.27): Liability to Related Parties**

SAR'000		Fiscal Year Ended December 31		
		2018G Audited	2019G Audited	2020G Audited
Related parties	Nature of the transaction			
Medivisa Saudi Arabia (sister company)	Balance owed from/(to) at end of the year	17,600	(17,080)	-
Waseel ASP (sister company)	Balance owed from/(to) at end of the year	-	-	(751)
<b>Total liability to related parties</b>		<b>17,600</b>	<b>(17,080)</b>	<b>(751)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The balance of SAR 0.8 million as at December 31, 2020G represents the amount owed to Waseel ASP (a sister company). The balance is for claims processing fees, since this related party provides automated medical claims processing services using an IT application.

The following table shows liability of related parties, as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.28): Liability of Related Parties**

SAR'000		Fiscal Year Ended December 31		
		2018G Audited	2019G Audited	2020G Audited
Related parties	Nature of the transaction			
Medgulf Bahrain BSC – headquarters account (main shareholder)	Balance owed at the end of the year	2,453	2,453	2,453
	Provision for doubtful debts	(2,390)	(2,390)	(2,390)
	Net balance owed at end of the period	63	63	63
Medivisa Saudi Arabia (sister company)	Balance owed from/(to) at end of the year	-	-	1,931
<b>Total liability of related parties</b>		<b>63</b>	<b>63</b>	<b>1,994</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



The balance of SAR 1.9 million as at December 31, 2020G, which is owed by Medivisa Saudi Arabia, represents the net amount paid to Medivisa during January 2020G, before the termination of the agreement, after adjusting the claims management fees owed to Medivisa for the fiscal year 2019G.

The following table shows related-party transactions and balances as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.29): Related-Party Transactions and Balances**

SAR'000		Fiscal Year Ended December 31		
		2018G Audited	2019G Audited	2020G Audited
Related parties	Nature of the transaction			
Saudi Investment Bank (founding shareholder)	Current accounts and term deposits	3,937	3,937	173
	Statutory deposit	13,957	139,507	146,626
	Premium (refundable)	(1,016)	(413)	-
	Outstanding claims	(580)	(1,432)	-
Medivisa Saudi Arabia (subsidiary)	Medical Claim - Lebanon/Balance	1,109	-	(654)
	Medical Claim - Egypt/Balance	160	-	(81)
Alistithmar Capital (a subsidiary of a shareholder funded by the Saudi Investment Bank)	Current account	1,205	-	2,542
	Refundable premiums	(38)	-	-
Medgulf Bahrain BSC (major shareholder)	Reinsurance refund	5,962	5,962	5,203
	Provision for doubtful debts	(4,471)	(4,471)	(3,902)
	Net balance due at end of the year	1,491	1,491	1,301
Addison Bradley Overseas/Addison Bradley & Co. (sister company)	Reinsurance refund	3,856	3,856	3,856
	Provision for doubtful debts	(3,856)	(3,856)	(3,856)
	Net balance due at end of the year	-	-	-
Addison Bradley International/Medgulf Lebanon (sister)	Net balance due at end of the year	30,265	30,265	59,498
	Provision for doubtful debts	(30,242)	(30,242)	(59,498)
	Net balance due at end of the year	23	23	-
Addison Bradley Arabia Holding LLC UAE (sister)	Net balance due at end of the year	1,472	1,472	1,472
	Provision for doubtful debts	(1,472)	(1,472)	(1,472)
Abunayyan Trading Corp. (under joint management)	Premiums receivable	-	703	255
Saudi Arabia Pumps Company (under joint management)	Premiums receivable	-	906	684
Toray Membrane Middle East (under joint management)	Premiums receivable	-	680	554
Saudi Tumpene Ltd (under joint management)	Premiums receivable	-	1,013	721
Bayan Credit Bureau (under joint management)	Premiums receivable	(38)	10	1
Citiscap (under joint management)	Premiums receivable	-	1,399	1,353
Middle East Agriculture Company (under joint management)	Premiums receivable	-	650	477
Industrial Instrumentation and Control Systems Company (under joint management)	Premiums receivable	-	631	307
	Provision for doubtful debts	-	(15)	-
	Net accounts receivable balances at end of the year	-	616	307
Saudi Fransi Capital (under joint management)	Premiums receivable	253	-	-



SAR'000		Fiscal Year Ended December 31		
		2018G Audited	2019G Audited	2020G Audited
	Provision for doubtful debts	(66)	-	-
	Net balance due at end of the year	187	-	-
	Investment Portfolio	-	135,000	423,600
Al-Adad Saudi Company (under joint management)	Premiums receivable	-	121	146
Saudi Tumpane (under joint management)	Premiums receivable	-	3,129	2,090
	Premiums receivable	-	16,267	15,814
Addison Bradley Saudi Arabia (sister)	Provision for doubtful debts	-	(12,191)	(11,853)
	Net balance due at end of the year	-	4,076	3,961
Electronic and Electrical Industry (under joint management)	Premiums receivable	-	1,070	233
Arabian Qudra (under joint management)	Premiums receivable	-	457	408
Al Akaria (under joint management)	Premiums receivable	-	-	32
	Premiums receivable	-	-	30,231
Alissa Group (under joint management)	Provision for doubtful debts	-	-	(189)
	Net balance due at end of the year	-	-	30,042
Vision International Investment Company (under joint management)	Premiums receivable	-	-	341

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The following table shows compensation related to senior management as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.30): Compensation of Senior Management**

SAR'000	Fiscal Year Ended December 31					
	2018G Audited		2019G Audited		2020G Audited	
	Members of the Board of Directors (Non-Executive)	Senior executives including the CEO and CFO	Members of the Board of Directors (Non-Executive)	Senior executives including the CEO and CFO	Members of the Board of Directors (Non-Executive)	Senior executives including the CEO and CFO
Salaries and Compensation	85	7,260	-	8,520	-	9,476
Allowances	480	-	337	-	308	-
Annual remuneration	3,394	-	3,390	-	3,490	-
End of service benefits	-	1,863	-	2,282	-	266
	<b>3,959</b>	<b>9,123</b>	<b>3,727</b>	<b>10,802</b>	<b>3,798</b>	<b>9,742</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



### 6.7.1.9 Prepaid expenses and other assets

The following table shows prepaid expenses and other assets as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.31): Prepaid Expenses and Other Assets**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Insurance operations						
Advance payments due to hospitals	61,092	165,655	144,419	171.2%	(12.8%)	53.8%
Deferred fees for the Saudi Central Bank, the Council of Cooperative Health Insurance, an administrative third party, and Najm	39,321	31,101	17,660	(20.9%)	(43.2%)	(33.0%)
Advance payments to suppliers	10,902	48,221	36,663	342.3%	(24.0%)	83.4%
Advances to employees	8,824	9,158	12,559	3.8%	37.1%	19.3%
Revenue accrued from outlets	2,467	5,467	5,260	121.6%	(3.8%)	46.0%
Prepaid rent	1,889	339	348	(82.1%)	2.7%	(57.1%)
Accrued special commission income	900	671	42	(25.4%)	(93.7%)	(78.4%)
Prepaid expenses	470	2,141	1,981	355.5%	(7.5%)	105.3%
Value added tax	-	6,470	40,015	N/A	518.5%	N/A
Other	5,886	6,039	6,321	2.6%	4.7%	3.6%
Provision for doubtful debts	-	(24,691)	(14,445)	N/A	(41.5%)	N/A
	131,751	250,571	250,823	90.2%	0.1%	38.0%
Shareholders' operations						
Accrued special commission income	2,522	3,270	3,104	29.7%	(5.1%)	10.9%
	2,522	3,270	3,104	29.7%	(5.1%)	10.9%
Total	134,273	253,841	253,927	89.0%	0.0%	37.5%

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

#### Insurance operations

Prepaid expenses mainly include advances for hospital dues, advances to suppliers and the allowance for doubtful debts. The balance of such expenses did not witness material fluctuations during the period between December 31, 2018G and December 31, 2020G. Prepaid expenses increased by 90.2%, from SAR 131.8 million on December 31, 2018G to SAR 250.6 million in 2019G. Such expenses fluctuate in the normal course of the business contract and the increase was affected by the increase in payments made to hospitals. These expenses increased again by 0.1%, from SAR 250.7 million as at December 31, 2019G to SAR 250.8 million as at December 31, 2020G as a result of the increase in value-added tax and the increase in advances to employees (advances to employees are low-value loans and advances given to employees within the normal course of business and are gradually deducted from their monthly salaries).

#### Shareholders' operations

Expenses prepaid from shareholders' operations represent special commission income accrued but not yet realized for available for sale investments and term deposits held by the Company.



#### 6.7.1.10 Property and equipment

The following table presents property and equipment (net book value) as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.32): Property and equipment**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Land	30,000	30,000	30,000	-	-	-
Leasehold improvements	4,678	3,590	1,877	(23.3%)	(47.7%)	(36.7%)
Furniture, fixtures and office equipment	9,252	7,221	8,205	(22.0%)	13.6%	(5.8%)
Computers	5,011	5,343	6,268	6.6%	17.3%	11.8%
Vehicles	217	16	198	(92.6%)	1,137.5%	(4.5%)
<b>Total</b>	<b>49,158</b>	<b>46,170</b>	<b>46,548</b>	<b>(6.1%)</b>	<b>0.8%</b>	<b>(2.7%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Property and equipment mainly consist of land listed in the shareholders' assets owned by the Company's shareholders and located in Riyadh. Currently, the Company uses the land as parking areas for vehicles. Its book value represents 61.0%, 64.9% and 64.5% of the net book value of property and equipment as at December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively.

The value of property and equipment decreased by 6.1% as at December 31, 2019G as the Company invested only in computers, in addition to the impact of exclusions. The year 2019G witnessed an exclusion of SAR 1.2 million, mainly related to computers that were sold by the Company. On the other hand, the value of property and equipment increased by 0.8% as at December 31, 2020G, mainly affected by the purchase of computers and office equipment for employees' use, as the year 2020G witnessed an increase of 17.3% and 13.6%, respectively.

#### 6.7.1.11 Intangible assets, net

Intangible assets include software and informational applications. The value of intangible assets increased from SAR 2.5 million as at December 31, 2018G to SAR 7.1 million as at December 31, 2020G, as a result of new applications and software obtained by the Company to develop the capabilities of computer programs used.

#### 6.7.1.12 Right of use asset

A right-of-use asset is related to IFRS 16, which requires a lessee to recognize a right-of-use asset representing its right to use the underlying assets and a lease liability representing its obligation to make lease payments. The Company adopted IFRS 16 as of January 1, 2019G, and recorded rental dues amounting to SAR 25.9 million and SAR 16.3 million as a right-of-use asset in its financial statements for 2019G and 2020G, respectively.

#### 6.7.1.13 Deferred tax assets

The following table presents deferred tax movement as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.33): Deferred Tax Movement**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Deferred tax at beginning of the year - asset	12,225	13,923	11,962	13.9%	(14.1%)	(1.1%)
Origination or (reversal) of temporary differences	1,698	(1,961)	(13,400)	(215.5%)	583.3%	N/A
<b>Final balance of deferred tax assets/ liabilities</b>	<b>13,923</b>	<b>11,962</b>	<b>(1,438)</b>	<b>(14.1%)</b>	<b>(112.0%)</b>	<b>N/A</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Deferred tax originated as a result of temporary differences in end of service, accounts receivable provision, accelerated depreciation and fair value gain/loss. Deferred tax assets decreased from SAR 13.9 million as at December 31, 2018G to a deferred tax liability of SAR 1.4 million as at December 31, 2020G due to the reversal of temporary differences. This is due to the increase in the net taxable amount as a result of temporary differences resulting from increased depreciation.





#### 6.7.1.14 Statutory deposit and returns on statutory deposit

In accordance with Article 58 of the Implementing Regulations of the Saudi Central Bank, the Company deposited 15.0%, or the equivalent of SAR 120.0 million, of its capital with a bank selected by the Saudi Central Bank. The statutory deposit was placed at a commission rate of 2.4% annually until December 22, 2020G. The Management clarified that the commission on the statutory deposit of SAR 26.1 million became 0.6% until July 22, 2021G. The commission resulting from such deposit must be paid to the Saudi Central Bank and it cannot be withdrawn without the approval of the Saudi Central Bank. Pursuant to the instructions of the Saudi Central Bank, the Company reflects the commission resulting from the statutory deposit as assets and liabilities in the financial statements.

#### 6.7.1.15 Goodwill

The goodwill indicated in the financial statements of SAR 480.0 million resulting from the Company's acquisition of the insurance portfolio of Medgulf Bahrain BSC (the "Portfolio") and related net assets and liabilities. The Ordinary General Assembly approved the acquisition at the meeting held on December 22, 2008G.

The Company performs an annual assessment to determine any impairment of goodwill using an assessment of the value in use and recoverable value of the cash-generating unit (or a group of cash-generating units) related to goodwill based on a detailed five-year business plan as well as by using the "share price" and "market" approaches. It is evaluated by an independent consultant appointed by the Company.

### 6.7.2 Liabilities

The following table presents the liabilities and surplus of insurance operations as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.34): Liabilities**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Accrued expenses and other liabilities	158,493	59,622	192,132	(62.4%)	222.3%	10.1%
Accounts and commissions payable	124,860	137,744	144,715	10.3%	5.1%	7.7%
Rent liability	-	25,903	16,596	N/A	(35.9%)	N/A
Reinsurance payables	50,410	107,488	165,531	113.2%	54.0%	81.2%
<b>Total unearned premiums</b>	<b>1,236,849</b>	<b>985,437</b>	<b>1,023,041</b>	<b>(20.3%)</b>	<b>3.8%</b>	<b>(9.1%)</b>
Unearned reinsurance commissions	22,205	31,161	32,914	40.3%	5.6%	21.7%
<b>Total claims under settlement</b>	<b>325,214</b>	<b>466,610</b>	<b>685,512</b>	<b>43.5%</b>	<b>46.9%</b>	<b>45.2%</b>
Claims incurred but not reported	624,910	751,200	614,201	20.2%	(18.2%)	(0.9%)
Premium deficiency reserve	51,052	20,529	31,456	(59.8%)	53.2%	(21.5%)
Other technical reserves	9,759	14,894	27,294	52.6%	83.3%	67.2%
Amounts due to a related party	17,600	17,080	751	(3.0%)	(95.6%)	(79.3%)
Provision for end of service benefits	25,461	27,451	24,405	7.8%	(11.1%)	(2.1%)
Surplus distribution payable	111,566	112,561	89,393	0.9%	(20.6%)	(10.5%)
Zakat and income tax	27,184	13,188	12,767	(51.5%)	(3.2%)	(31.5%)
Deferred tax liability	-	-	1,438	-	N/A	N/A
Commissions payable on the statutory deposit to the Saudi Central Bank	19,507	23,864	26,626	22.3%	11.6%	16.8%
<b>Total</b>	<b>2,805,070</b>	<b>2,794,732</b>	<b>3,088,772</b>	<b>(0.4%)</b>	<b>10.5%</b>	<b>4.9%</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Liabilities consisted mainly of unearned insurance premiums, claims under settlement and claims incurred but not reported, which represented 78.0%, 78.8% and 75.2% of the total liabilities as at December 31, 2018G, December 31, 2019G and December 31, 2020G respectively.

Liabilities decreased by 0.4%, from SAR 2,805.1 million on December 31, 2018G to SAR 2,794.7 million on December 31, 2019G. This decrease was mainly affected by a decrease in unearned premiums.



Liabilities recorded an increase by 10.5% or SAR 294.0 million, from SAR 2,794.7 million as at December 31, 2019G to SAR 3,088.7 million as at December 31, 2020G as a result of the increase in accrued expenses and other liabilities and total claims under settlement by SAR 132.5 million and SAR 218.9 million in 2020G.

### 6.7.2.1 Total claims

The following table provides a summary of the total claims as at December 31, 2018G, 2019G and 2020G.

**Table No. (6.35): Total Claims**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Incurred claims						
Claims under settlement	325,214	466,610	685,512	43.5%	46.9%	45.2%
Incurred but not reported	624,910	751,200	614,201	20.2%	(18.2%)	(0.9%)
	950,124	1,217,810	1,299,713	28.2%	6.7%	17.0%
Reinsurers' share						
Claims under settlement	(294,162)	(334,829)	(474,022)	13.8%	41.6%	26.9%
Incurred but not reported	(126,644)	(222,617)	(261,982)	75.8%	17.7%	43.8%
Claims paid during the year	(420,806)	(557,446)	(736,004)	32.5%	32.0%	32.3%
Net	529,318	660,364	563,709	24.8%	(14.6%)	3.2%

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The medical insurance sector represented 43.3%, 51.9% and 46.4% of the total claims as at December 31, 2018G, December 31, 2019G and December 31, 2020G. During the period under consideration, the number of claims increased, mainly driven by an increased balance of claims under settlement.

The following table presents a summary of the claims under settlement by sector as at December 31, 2018G, 2019G, and 2020G.

**Table No. (6.36): Total Claims Under Settlement by Sector**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	110,072	281,180	248,696	155.5%	(11.6%)	50.3%
Vehicle insurance	(123,352)	(174,016)	2,085	41.1%	(101.2%)	-
Property and accident insurance	338,494	359,446	434,731	6.2%	20.9%	13.3%
<b>Total</b>	<b>325,214</b>	<b>466,610</b>	<b>685,512</b>	<b>43.5%</b>	<b>46.9%</b>	<b>45.2%</b>
<b>Reinsurer's share (%)</b>						
Medical insurance	7.6%	18.8%	17.9%			
Vehicle insurance	(36.9%)	(51.3%)	0.7%			
Property and accident insurance	120.7%	229.4%	552.4%			
<b>Total</b>	<b>15.8%</b>	<b>23.5%</b>	<b>39.1%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



Total claims under settlement consist of the total estimated cost of claims that have been incurred and reported but have not been settled at the date of the statement of financial position. In general, claims under settlement were concentrated in the medical insurance sector, which is considered the Company's main activity. Balances increased during the period ended December 31, 2019G and December 31, 2020G. This increase was affected by the turnover and loss ratios.

The following table presents the claims incurred but not reported by sector as at December 31, 2018G, 2019G, and 2020G.

**Table No. (6.37): Claims incurred but not reported by Sector**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	300,862	351,153	354,036	16.7%	0.8%	8.5%
Vehicle insurance	237,791	282,729	128,124	18.9%	(54.7%)	(26.6%)
Property and accident insurance	86,257	117,318	132,041	36.0%	12.5%	23.7%
<b>Total</b>	<b>624,910</b>	<b>751,200</b>	<b>614,201</b>	<b>20.2%</b>	<b>(18.2%)</b>	<b>(0.9%)</b>
<b>Reinsurer's share (%)</b>						
Medical insurance	20.8%	23.5%	25.5%			
Vehicle insurance	71.1%	83.4%	45.0%			
Property and accident insurance	30.8%	74.9%	167.8%			
<b>Total</b>	<b>30.3%</b>	<b>37.8%</b>	<b>35.0%</b>			

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Claims incurred but not reported are claims expected to be reported after the date of the statement of financial position where the insured event occurred prior to the date of the statement of financial position.

The balance of claims incurred but not reported rose by 20.2%, from SAR 624.9 million on December 31, 2018G to SAR 751.2 million on December 31, 2019G. This increase is due to the increase in the loss ratio in the motor insurance sector and the property and accident insurance sector.

Then in 2020G, the number of claims incurred but not reported dropped from SAR 751.2 million as at December 31, 2019G to SAR 614.2 million as at December 31, 2020G, following the decrease of claims related to the motor insurance sector due to decreased claims during the lock down associated with the coronavirus pandemic.

#### 6.7.2.2 Accrued expenses and other liabilities

The following table presents the accrued expenses and other liabilities as at December 31, 2018G, 2019G, and 2020G.

**Table No. (6.38): Accrued Expenses and other Liabilities**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Insurance operations						
Payable to suppliers	135,036	27,077	27,754	(79.9%)	2.5%	(54.7%)
Value added tax payable	10,256	16,743	89,967	63.3%	437.3%	196.2%
Accrued expenses	3,661	1,688	28,723	(53.9%)	1,601.6%	180.1%
Council of Cooperative Health Insurance accrued fees	3,497	1,637	-	(53.2%)	(100.0%)	(100.0%)
Withholding tax payable	2,490	10,649	44,676	327.7%	319.5%	323.6%
Other payables	733	674	-	(8.0%)	(100.0%)	(100.0%)
	155,673	58,468	191,120	(62.4%)	226.9%	10.8%
Shareholders' operations						
Accrued expenses	2,820	1,154	1,012	(59.1%)	(12.3%)	(40.1%)
	2,820	1,154	1,012	(59.1%)	(12.3%)	(40.1%)
Total	158,493	59,622	192,132	(62.4%)	222.3%	10.1%

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.



### Insurance operations

Accrued expenses mainly consist of payables to suppliers and payable value added tax expenses. Insurance operations constituted the biGest share of the Company's total accrued expenses and other liabilities.

The balance of accrued expenses and other liabilities dropped by 62.4%, from SAR 155.7 million as at December 31, 2018G to SAR 58.5 million as at December 31, 2019G due to the decrease of the balance of payables to suppliers by SAR 107.9 million. In 2020G, the balances of accrued expenses and other liabilities rose from SAR 58.5 million as at December 31, 2019G to SAR 191.1 million as at December 31, 2020G due to an increase of SAR 73.2 million, SAR 27.0 million, and SAR 34.0 million in the VAT balance, accrued expenses balance, and the accrued withholding tax balance respectively. The increase of value added tax payable from 5.5% in 2019G to 15.0% in 2020G significantly affected the increase in VAT payable during 2020G. The increase in withholding tax was due to the increased ceding percentage of the Saudi Electricity Company's policy by 39.5% as at December 31, 2019G, from 75.0% as at December 31, 2020G to a reinsurance company that operates outside the Kingdom of Saudi Arabia.

### Shareholders' operations

Accrued expenses and other liabilities generated from shareholders' operations did not witness any material fluctuations during the period ended December 31, 2019G and December 31, 2020G.

#### 6.7.2.3 Provision for employee end of service benefits

The Company adopts an end of service benefit plan for its employees under the Saudi labor laws in force. Entitlements are determined based on the actuarial assessment using the method of estimating the due amounts by unit while fulfilling the obligation of making end of service payments as and when they fall due. The balance did not witness any radical fluctuations between December 31, 2018G and December 31, 2019G. On the other hand, the balance dropped from SAR 27.5 million on December 31, 2019G to SAR 24.4 million on December 31, 2020G, as the end of service benefits paid by the Company in 2020G rose by 60.0% compared with the previous year, or SAR 3.5 million, from SAR 9.5 million in 2020G to SAR 5.9 million in 2019G as a result of the increased number of terminated employment contracts and resignations of 229 employees during 2020G.

#### 6.7.2.4 Lease liability

Lease liabilities, which amounted to SAR 25.9 million and SAR 16.4 million as at December 31, 2019G and December 31, 2020G respectively, are associated with the lease of the Company's offices. These liabilities were recorded as separate items in fiscal year 2019G and fiscal year 2020G after adopting the IFRS 16 to recognize lease contracts.

Short-term lease liabilities with a maturity of less than one year constituted 36.8% and 63.4% of the total lease liabilities during the two fiscal years ended December 31, 2019G and December 31, 2020G respectively.

#### 6.7.2.5 Unearned reinsurance commissions

The following table presents unearned reinsurance commissions by sector as at December 31, 2018G, 2019G, and 2020G.

**Table No. (6.39): Unearned Reinsurance Commissions by Sector**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	-	-	-	-	-	-
Vehicle insurance	10,136	19,004	20,137	87.5%	6.0%	40.9%
Property and accident insurance	12,069	12,157	12,777	0.7%	5.1%	2.9%
<b>Total</b>	<b>22,205</b>	<b>31,161</b>	<b>32,914</b>	<b>40.3%</b>	<b>5.6%</b>	<b>21.7%</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Commissions payable from unearned reinsurance operations are amortized in the income statement.

The balance of reinsurers' unearned commission rose during the period by 40.3%, from SAR 22.2 million as at December 31, 2018G to SAR 31.1 million as at December 31, 2019G. Then it continued to rise by 5.6%, from SAR 31.1 million as at December 31, 2019G to SAR 32.9 million as at December 31, 2020G, due to the increased reinsurance premiums ceded during 2019G and 2020G.



### 6.7.2.6 Total unearned premiums

The following table presents the unearned premiums by sector as at December 31, 2018G, 2019G, and 2020G.

**Table No. (6.40): Unearned Premiums**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Medical insurance	736,330	581,634	693,281	(21.0%)	19.2%	(3.0%)
Vehicle insurance	241,343	162,430	168,125	(32.7%)	3.5%	(16.5%)
Property and accident insurance	259,176	241,373	161,635	(6.9%)	(33.0%)	(21.0%)
<b>Total</b>	<b>1,236,849</b>	<b>985,437</b>	<b>1,023,041</b>	<b>(20.3%)</b>	<b>3.8%</b>	<b>(9.1%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

As mentioned earlier, premiums are recorded in the income statement using the straight-line method throughout the policy coverage period. Therefore, unearned premiums are calculated using the straight-line method throughout the policy coverage period.

The balance of unearned premiums dropped by 20.3%, from SAR 1,236.8 million as at December 31, 2018G to SAR 985.4 million as at December 31, 2019G, due to the decrease of the number of policies issued in the medical and motor insurance sectors in 2019G. Unearned premiums related to the medical and motor insurance sectors dropped by 21.0% and 32.7% respectively in 2019G, as compared with the year 2018G. The balance recovered by 3.8%, from SAR 985.4 million on December 31, 2019G to SAR 1,023.0 million on December 31, 2020G, affected by the increased balance of medical insurance unearned premiums.

### 6.7.2.7 Premium deficiency reserves

The premium deficiency provision is linked to a number of assumptions related to future events and conditions. It is based on an expected loss ratio for the unexpired portion of the policy risks. To arrive at an estimate of the expected loss ratio, the Company's actuary and the independent actuary look at the relationship between the claims and premiums expected to be applied on a monthly basis, and confirm whether there is a need to create a premium deficiency reserve at the end of the fiscal year.

### 6.7.2.8 Other technical reserves

These provisions primarily relate to unexpired risk reserves and represent sums allocated at the end of the fiscal period to meet obligations that could arise after the end of this period for insurance contracts issued prior to that date. Such provisions fluctuate in the ordinary course of implementing the business contract.

### 6.7.2.9 Provision for Zakat and income tax

The Company did not recognize any provisions for income tax due to the accumulated losses suffered by the Company. On the other hand, the Company recognized a provision for Zakat in the amount of SAR 6.3 million, SAR 14.0 million, and SAR 4.6 million for the years 2018G, 2019G, and 2020G respectively. The Company has filed its Zakat declarations for the period from April 16, 2007G up to December 31, 2018G. Additionally, the Company filed two objections to the re-assessment of Zakat and income tax and withholding tax for assessment years 2008G to 2012G, and it filed another objection to the reassessment for the years 2013G to 2016G, and allocated a provision in the amount of SAR 131.3 thousand. In fiscal year 2019G, the Company reached a settlement of SAR 115 thousand payable to the Zakat, Tax, and Customs Authority. The difference, SAR 15.7 thousand, between the allocated sum and the agreed sum was transferred to other revenues.

### 6.7.2.10 Distribution of payable surplus

The distribution of payable surplus represents the net surplus from insurance operations payable to policyholders. The Company is required to distribute 10.0% of the net surplus generated from insurance operations to policyholders and allocate the remaining percentage of 90.0% to its shareholders in accordance with the Insurance Law and the Implementing Regulations thereof issued by the Saudi Central Bank.

The balance has not witnessed any radical fluctuations between December 31, 2018G and December 31, 2019G. The balance dropped from SAR 112.6 million as at December 31, 2019G to SAR 89.4 million as at December 31, 2020G, as the Company distributed SAR 26.5 million from the balance to policyholders. These payable surplus balances are related to fiscal year 2009G–2016G. According to the Company's Management, the surplus for fiscal years 2016G and 2019G has not been distributed yet as it is pending review and audit by the Saudi Central Bank.



### 6.7.2.11 Commissions payable on the statutory deposit

Commission generated from the statutory deposit amounted to SAR 26.6 million as at December 31, 2020G. This deposit cannot be withdrawn without the approval of the Saudi Central Bank.

### 6.7.3 Shareholders' equity

The following table shows the shareholders' equity for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Table No. (6.41): Shareholders' Equity

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Share capital	800,000	800,000	800,000	-	-	-
Statutory reserve	146,135	146,135	26,135	-	(82.1)%	(57.7%)
Accumulated losses	(259,606)	(256,482)	(99,569)	(1.2%)	(61.2%)	(38.1%)
Re-measurement of defined benefit liability - employee benefits	(4,285)	(5,159)	(5,505)	20.4%	6.7%	13.3%
Fair value reserve gain on available for sale investments	(442)	21,661	38,636	(5,000.7%)	78.4%	N/A
<b>Total shareholders' equity</b>	<b>681,802</b>	<b>706,155</b>	<b>759,697</b>	<b>3.6%</b>	<b>7.6%</b>	<b>5.6%</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

#### 6.7.3.1 Share capital

Share capital amounted to SAR 800.0 million as at December 31, 2018G, 2019G, and 2020G. The Company's authorized and paid-up capital was divided into 80.0 million shares with a value of SAR 10.0 each.

In its meeting held on 18/02/1442H (corresponding to 10/5/2020G) the Board of Directors decided to recommend that the Extraordinary General Assembly decrease the Company's share capital by canceling 10.0 million shares, making the share capital SAR 700.0 million, with the aim of restructuring the share capital to amortize the accumulated losses and then increasing the share capital by SAR 350.0 million to SAR 1,050.0 million. The Board of Directors further amended its recommendation on the capital increase on June 14, 2021G with the aim of increasing the share capital by SAR 420 million. By increasing the share capital, the Company primarily aims to enhance its solvency margin and support the expansion of its business. On 24/04/1442H (corresponding to 12/9/2020G) the Saudi Central Bank approved the request to increase the Company's share capital by SAR 100.0 million. Further, the Saudi Central Bank's approval of the increase of the Company's share capital was obtained on 25/10/1442H (corresponding to 6/6/2021G).

#### 6.7.3.2 Statutory reserve

Pursuant to the Companies' Law, the Company transfers 20.0% of the income generated from shareholders' operations to the reserve until it equals its share capital. The Company is not allowed to dispose of this reserve. Since there is an accumulated deficiency in the amount of SAR 256.5 million and SAR 99.6 million for the fiscal year ended December 31, 2019G and the fiscal year ended December 31, 2020G respectively, no amounts were transferred to the statutory reserve.

On December 18, 2019G, the Board of Directors decided to decrease the statutory reserve by SAR 120.0 million against the accumulated losses. This was approved in the annual General Assembly held on June 3, 2020G.

#### 6.7.3.3 Accumulated losses

The balance of accumulated losses dropped by 1.2%, equaling SAR 3.1 million, from SAR 259.6 million as at December 31, 2018G to SAR 256.5 million in 2019G, after the Company realized profits of SAR 3.1 million in 2019G. In 2020G, accumulated losses dropped again by 61.2%, from SAR 256.5 million as at December 31, 2019G to SAR 99.6 million as at December 31, 2020G, due to profits of SAR 36.9 million realized in 2020G, and due to the decrease of the statutory reserve by SAR 120.0 million against accumulated losses, which positively affected the Company's balance of accumulated losses.



## 6.8 Cash Flow Statement

### 6.8.1 Cash flows

The following table presents the cash flow statement for insurance operations for the fiscal years ending December 31, 2018G, 2019G, and 2020G.

**Table No. (6.42): Cash Flows**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Net cash used in operating activities	(280,814)	(189,450)	(13,484)	(32.5%)	(92.9%)	(78.1%)
Net cash (used in)/generated from investing activities	564,003	(657,127)	141,254	(216.5%)	(121.5%)	(50.0%)
Net cash generated from financing activities	420,323	-	-	(100.0%)	-	(100.0%)
<b>Net change in cash and cash equivalents</b>	<b>703,512</b>	<b>(846,577)</b>	<b>127,770</b>	<b>(220.3%)</b>	<b>(115.1%)</b>	<b>(57.4%)</b>
Cash and cash equivalents, beginning of the year	353,960	1,057,472	210,895	198.8%	(80.1%)	(22.8%)
<b>Cash and cash equivalents, end of the year</b>	<b>1,057,472</b>	<b>210,895</b>	<b>338,665</b>	<b>(80.1%)</b>	<b>60.6%</b>	<b>(43.4%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

#### 6.8.1.1 Cash flows from operating activities

The following table presents the details of cash flows from operating activities for the fiscal years ending December 31, 2018G, 2019G, and 2020G.

**Table No. (6.43): Operating Activities**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Net income/(loss) for the year before Zakat and income tax	(204,527)	20,171	58,227	(109.9%)	188.7%	N/A
<b>Adjustments for non-cash items:</b>						
Depreciation and amortization	8,956	8,258	9,563	(7.8%)	15.8%	3.3%
Loss on disposal of property and equipment	-	25	-	N/A	(100.0%)	N/A
Profits realized on available for sale investments	(6,016)	-	-	(100.0%)	N/A	(100.0%)
Provision for doubtful debts	27,074	(36,882)	39,115	(236.2%)	(206.1%)	20.2%
Special commission income	(13,291)	-	-	(100.0%)	N/A	(100.0%)
Income from investment in associate companies	(5,017)	-	-	(100.0%)	N/A	(100.0%)
Provision for employee end of service benefits	5,931	7,030	6,071	18.5%	(13.6%)	1.2%
<b>Changes in operating assets and liabilities:</b>						
Premiums and reinsurers' receivables	(49,047)	145,745	(297,428)	(397.2%)	(304.1%)	146.3%
Reinsurers' share of unearned premiums	181,162	(7,718)	70,318	(104.3%)	(1,011.1%)	(37.7%)
Reinsurers' share of claims under settlement	72,485	(40,666)	(139,193)	(156.1%)	242.3%	N/A
Reinsurers' share of claims incurred but not reported	(12,151)	(95,973)	(39,365)	689.8%	(59.0%)	80.0%
Deferred policy acquisition costs	8,838	9,031	7,040	2.2%	(22.0%)	(10.7%)
Prepaid expenses and other assets	103,804	(119,569)	(12,456)	(215.2%)	(89.6%)	N/A
Deposits against letters of guarantee	(35,392)	(15,364)	1,477	(56.6%)	(109.6%)	N/A
Right of use assets	-	(25,854)	9,569	N/A	(137.0%)	N/A
Accounts and commissions payable	3,092	12,884	6,971	316.7%	(45.9%)	50.2%





SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Accrued expenses and other liabilities	5,601	(98,870)	132,510	(1,865.2%)	(234.0%)	386.4%
Lease liabilities	-	25,903	(9,307)	N/A	(135.9%)	N/A
Reinsurers' balances payable	(85,351)	57,078	58,043	(166.9%)	1.7%	N/A
Total unearned premiums	(168,379)	(251,412)	37,604	49.3%	(115.0%)	N/A
Unearned reinsurance commission	(13,001)	8,956	1,753	(168.9%)	(80.4%)	N/A
Total claims under settlement	(174,724)	141,396	218,902	(180.9%)	54.8%	N/A
Claims incurred but not reported	30,411	126,290	(136,999)	315.3%	(208.5%)	N/A
Premium deficiency reserves	37,622	(30,522)	10,927	(181.1%)	(135.8%)	(46.1%)
Other technical reserves	(3,107)	5,134	12,400	(265.2%)	141.5%	N/A
Due from related parties	-	-	(1,931)	-	N/A	N/A
Due to related parties	13,714	(520)	(16,329)	(103.8%)	3,040.2%	N/A
Surplus paid to policyholders	-	-	(26,491)	-	N/A	N/A
Employee end of service benefits	(5,340)	(5,914)	(9,463)	10.7%	60.0%	33.1%
Zakat and income tax paid	(4,161)	(28,087)	(5,012)	575.0%	(82.2%)	9.8%
<b>Net cash used in operating activities</b>	<b>(280,814)</b>	<b>(189,450)</b>	<b>(13,484)</b>	<b>(32.5%)</b>	<b>(92.9%)</b>	<b>(78.1%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Cash flows from operating activities fluctuated during the fiscal years ended 2018G, 2019G, and 2020G, primarily due to the movement in total unearned premiums, premiums and reinsurers' receivables, reversal of allowances for doubtful debts, and other assets and liabilities.

A cash outflow of SAR 189.5 million was recognized in 2019G, compared with a negative flow of SAR 280.8 million in 2018G. This was primarily driven by the decrease in total unearned premiums and prepaid expenses and other assets between the years 2018G and 2019G.

A cash outflow of SAR 13.5 million was recognized in fiscal year 2020G. This cash movement from operating activities was mainly affected by decreased premiums and reinsurers' receivables, the reinsurers' share of claims under settlement, and due to cash outflows from the decrease in claims incurred but not reported during the year.

### 6.8.1.2 Cash flows from investing activities

The following table shows the details of cash flows from investing activities for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.44): Investing Activities**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Dividends received from investment in an associate company	4,486	-	-	(100.0%)	-	(100.0%)
Change in investment in an associate company	-	479	(341)	-	N/A	N/A
Proceeds from available for sale investments	79,044	(383,192)	(94,496)	(584.8%)	(75.3%)	N/A
Special commission income	13,291	-	-	(100.0%)	-	(100.0%)
Proceeds from short term deposits	471,250	(266,884)	248,407	(156.6%)	(193.1%)	(27.4%)
Commissions on statutory deposit	3,961	-	-	(100.0%)	-	(100.0%)
Commissions payable on statutory deposit	(3,961)	-	-	(100.0%)	-	(100.0%)



SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Additions to property, equipment and intangible assets	(4,068)	(7,530)	(12,316)	85.1%	63.6%	74.0%
<b>Net cash (used in)/generated from investing activities</b>	<b>564,003</b>	<b>(657,127)</b>	<b>141,254</b>	<b>(216.5%)</b>	<b>(121.5%)</b>	<b>(50.0%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

Cash generated from or used in investing activities experienced several fluctuations during the period between 2018G and 2020G. The Company recognized cash inflows from investing activities in the amount of SAR 564.0 million and SAR 141.3 million in 2018G and 2020G respectively, against cash outflows from investing activities in the amount of SAR 657.1 million in 2019G. Said movement was associated with the movement of short-term deposits and available for sale investments.

### 6.8.1.3 Cash flows from financing activities

The following table shows the details of cash flows from financing activities for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

**Table No. (6.45): Financing Activities**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Reduction of statutory deposit	30,000	-	-	(100.0%)	-	(100.0%)
Costs related to decrease of share capital	-	-	-	-	-	-
Costs related to increase of share capital	(9,677)	-	-	(100.0%)	-	(100.0%)
Increase of share capital	400,000	-	-	(100.0%)	-	(100.0%)
<b>Net cash generated from financing activities</b>	<b>420,323</b>	<b>-</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>	<b>(100.0%)</b>

Source: The Company's audited financial statements for the fiscal years ended December 31, 2018G, 2019G, and 2020G.

The Company recognized cash inflows of SAR 420.3 million from financing activities in 2018G due to the increase of the share capital. There were no cash inflows or outflows relating to financing activities in 2019G and 2020G.

## 6.9 Financial Solvency Analysis

### 6.9.1 Statement of financial solvency

The following table represents the statement of financial solvency in accordance with the Saudi Central Bank's reporting standards as at 2018G, 2019G, and 2020G.

**Table No. (6.46): Statement of Financial Solvency**

SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Admissible assets						
Policyholders	2,162,216	1,902,228	2,266,544	(12.0%)	19.2%	2.4%
Shareholders	631,362	866,945	844,096	37.3%	(2.6%)	15.6%
Other assets allowed to cover the minimum margin required	460,651	772,654	144,419	67.7%	(81.3%)	(44.0%)
Total admissible assets	3,254,229	3,541,827	3,255,059	8.8%	(8.1%)	0.0%
Liabilities						
Policyholders	2,755,558	2,756,526	3,046,929	0.0%	10.5%	5.2%
Shareholders	449,071	645,205	41,843	43.7%	(93.5%)	(69.5%)
Minimum liabilities available for deduction from the minimum margin coverage process	-	-	-	-	-	-



SAR'000	Fiscal Year Ended December 31			Increase/(Decrease)		Compound Annual Growth 2018G–2020G
	2018G Audited	2019G Audited	2020G Audited	December 2019G	December 2020G	
Total liabilities	3,204,630	3,401,731	3,088,772	6.2%	(9.2%)	(1.8%)
<b>Net admissible assets</b>						
Net assets	(593,343)	(854,298)	(780,385)	44.0%	(8.7%)	14.7%
Net assets, shareholders, before adjustment	182,291	221,740	802,253	21.6%	261.8%	109.8%
Allowed adjustments, additions, and discounts	460,651	772,654	144,419	67.7%	(81.3%)	(44.0%)
<b>Total admissible assets (A)</b>	<b>49,599</b>	<b>140,096</b>	<b>166,287</b>	<b>182.5%</b>	<b>18.7%</b>	<b>83.1%</b>
<b>Minimum margin required</b>						
Required margin (general insurance and health insurance)	523,588	461,133	383,253	(11.9%)	(16.9%)	(14.4%)
Total minimum margin required (B)	523,588	461,133	383,253	(11.9%)	(16.9%)	(14.4%)
Minimum Capital Requirement (C)	200,000	200,000	200,000	-	-	-
<b>Total minimum margin required (the higher of the two operations)</b>	<b>523,588</b>	<b>461,133</b>	<b>383,253</b>	<b>(11.9%)</b>	<b>(16.9%)</b>	<b>(14.4%)</b>
<b>Amount of increase (decrease) in net admissible assets at the minimum margin required (A) - (C)</b>	<b>(473,988)</b>	<b>(321,037)</b>	<b>(216,966)</b>	<b>(32.3%)</b>	<b>(32.4%)</b>	<b>(32.3%)</b>

Source: Reports of the Saudi Central Bank and the Company



## 7. Use of Proceeds

### 7.1 Net Offering Proceeds

The total Offering Proceeds of the Rights Issue is expected to be four hundred twenty million Saudi Riyals (SAR 420,000,000). Expenses and fees of the Financial Advisor, Lead Manager, Underwriter, Legal Advisor, Financial Due Diligence Advisor, in addition to the costs of advertisements, printing and translation, and other expenses related to the offering are estimated at seven million and fourteen thousand Saudi riyalsR (SAR 7,014,000). Therefore, the net proceeds are expected to reach four hundred and twelve million nine hundred and eighty six thousand Saudi Riyals (SAR 412,986,000).

### 7.2 Use of Proceeds

All insurance companies operating in the Kingdom work pursuant to the Insurance Companies Law and its Implementing Regulations and the amendments made thereto by SAMA from time to time.

Net proceeds will be primarily used to increase the Company's solvency margin and cover, with the aim of fulfilling solvency margin requirements imposed by SAMA on insurance companies operating in the Kingdom of Saudi Arabia. Shareholders will not receive any of the Offering Proceeds.

The table below outlines the proposed use of the Offering Proceeds:

**Table No. (7.1): Proposed Use of Net Offering Proceeds**

Description	Value (SAR million).
Total Offering Proceeds	420
Estimated Offering Expenses	7
Net Offering Proceeds	413

Source: Company

Description	Value (SAR million).	Percentage of the Total
Total Offering Proceeds	420	100.0%
Estimated underwriting expenses	7	1.6%
Net Offering Proceeds	413	98.3%
Increasing the statutory deposit according to SAMA requirements	36	8.6%
Expected investments of the Company	377	89.7%

Source: The Company

The table below outlines details of the Company's expected investments. The final approval of the investments listed in the table below will be subject to the availability of these investment instruments and their timely return on the Company's investment plan:

**Table No. (7.2): Time period for the proposed use of the Offering Proceeds**

(SAR)	2021G	2022G			Total
	Fourth Quarter	First Quarter	Second Quarter	Third quarter	
Investments in short-term Murabaha deals and medium-to-long-term investments	57,000,000	200,000,000	60,000,000		317,000,000
Investments in IT applications	28,000,000	14,000,000	10,000,000	8,000,000	60,000,000
Estimated underwriting expenses	7,000,000				7,000,000
Increasing the statutory deposit according to SAMA requirements	36,000,000				36,000,000
<b>Total</b>	<b>128,000,000</b>	<b>214,000,000</b>	<b>70,000,000</b>	<b>8,000,000</b>	<b>420,000,000</b>

Source: Company

Investments in short-term Murabaha deals and medium to long-term investments from net offering proceeds constitute 84.1% of the company's expected investments. Medium to long-term investments are investments intended to be made through fixed-income securities, the majority of which will be issued by the Saudi Government. A small portion will be allocated to investment opportunities in listed equities in the market, within a scope that takes into account the regulatory limits and the



company's investment policy. The remaining 15.9% of the net offering proceeds will be allocated to investments in information technology applications to be owned by the company, which contributes to business development for sales and customer service, these technology investments consist of the below:

- Actuarial tool and underwriting tool.
- General IT infrastructure.

The Company intends to make these investments within three to six months, upon completion of the offering.

In line with the requirements of Article 54 paragraph (b) of the Rules on the Offer of Securities and Continuing Obligations, the Company will disclose the same on the website of the Saudi Stock Exchange (Tadawul) where there is a difference of 5% or more between the actual use of the offering proceeds as opposed to those disclosed in this Prospectus as soon as it is aware thereof.

### 7.3 Solvency margin

Implementing Regulations of the Cooperative Insurance Companies Control Law require insurers to reserve a minimum level of net identifiable assets in the solvency margin account. This requirement translates into the need to maintain a minimum of the total cover 100% of solvency margin (net assets admissible in the solvency account divided by the minimum of solvency margin).

SAMA obliges insurance companies to evaluate their net assets with the purpose of calculating the net identifiable assets in the solvency margin according to tables and ratios of identification specified by SAMA, taking the following into account:

- 1- Asset evaluation must not exceed their market value, except for the assets securing protection and savings related to investment.
- 2- The maximum must be twenty percent (20%) of the total allowed assets related to one party.

Article 66 of the Implementing Regulations of the Cooperative Insurance Companies Control Law provides that a company working in general and health insurance must retain a minimum required solvency margin by adopting the maximum of any of the three methods specified in SAMA Regulations:

- 1- The minimum capital of one hundred million Saudi Riyals (SAR 100,000,000) for an insurer and two hundred million Saudi Riyals (SAR 200,000,000) for a reinsurer or an insurer operating in reinsurance.
- 2- Gross Written Premiums.
- 3- Claims.

Article 67 of the Implementing Regulations of the Cooperative Insurance Companies Control Law provides that a company that engages in the protection and savings insurance line of business must maintain a solvency margin that is the total of the following:

- 4.0% of the technical provisions for protection and direct savings insurance.
- 0.3% of the total coverage of individuals after deducting the reinsurance ratio, provided that it doesn't exceed (50%) of the total coverage.
- 0.1% of the group total coverage after deducting the reinsurance ratio, provided that it doesn't exceed 50% of the total coverage.

The table below sets out the details of the solvency margin as of 31/12/2020G.

**Table No. (7.3): Details of the Company's solvency margin as of 31/12/2020G**

	SAR million	As at 31/12/2018G	As at 31/12/2019G	As at 31/12/2020G
1	Minimum capital requirement	200	200	200
2	Total premium solvency margin	319	313	292
3	Claims solvency margin	523	461	383
4	The maximum solvency margin required from the Company (is calculated by adopting the higher of the (1,2) or (3) above)	523	461	383
5	Net assets admissible in the solvency margin	49	140	166
6	Solvency Margin Cover (%)	9.4%	30.4%	43.3%

The Company has not complied with the minimum solvency margin cover of 100% required by SAMA. The Company's solvency margin cover was recorded 43.3% as of 31/12/2020G, which has led the Company to increase its capital to meet such a minimum.



## 8. Expert Statements

Written approval has been obtained from all the consultants and auditors set forth in Page (vi) to include their names, logos and statements in the form mentioned in this Prospectus, and such approvals have not been withdrawn as of the date of this Prospectus. Moreover, none of the consultants, their subsidiaries, shareholders, board of directors or relatives have any shareholding or interest of any kind in the Company.



## 9. Declarations

As of at the date of this Prospectus, Board members declare that:

There has been no interruption in the business of the Company which may have had a significant effect on its financial position in the last 12 months.

No commissions, discounts, brokerage fees or other non-cash compensations were granted by the Company within the three years immediately preceding the application for listing the securities in connection with the issue or sale of any securities.

There was no fundamental negative change in the financial and commercial position of the company during the three years immediately preceding the date of the application for listing the securities subject to this Prospectus, in addition to the period covered by the report of the chartered accountant until the adoption of this Prospectus.

Except as disclosed in Subsection 10.4.1 "**Contracts and transactions with related parties**" of Section 10 "**Legal Information**", Board members or any of their relatives do not have shares or interests of any kind in the Company.

The Company did not maintain treasury shares, and the Company's EGM did not approve the purchase of the Company's shares.





## 10. Legal Information

### 10.1 Company incorporation, licenses and permits under which it operates

In accordance with Article 3 of the Cooperative Insurance Companies Control Law, the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company ("MEDGULF") was incorporated pursuant to Council of Ministers Resolution No. 233 dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. M/60 dated 18/9/1427H (corresponding to 11/10/2006G), and registered under SAMA license No. TMN/20079/3 dated 29/8/1428H (corresponding to 12/9/2007G). Accordingly, the Company was licensed to engage in the insurance activity, which includes the main insurance services of the Company in the Kingdom as follows: (1) general insurance, (2) health insurance, and (3) protection and savings insurance. The Company operates in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulation and other regulations and instructions applicable in the Kingdom under supervision of SAMA and is registered in Riyadh as a joint stock company under Commercial Register No. 1010231925 issued on 08/4/1428H (corresponding to 26/4/2007G).

Except as indicated in the tables below, the Company has obtained all the licences and approvals necessary to operate its in accordance with the applicable regulations, as follows:

**Table No. (10.1): Required licenses obtained by the Company to carry out its activities in accordance with the applicable laws**

No.	License Type	Purpose	License Number	Date of Issue	Expiry Date	Issuer
1	Commercial Registration Certificate	Registration of the Companies at the Ministry of Commerce	1010231925	08/04/1428 (corresponding to 26/04/2007G)	08/04/1446 (corresponding to 08/03/2024G)	Ministry of Commerce
2	Municipality License	A legally required license according to the municipal licensing procedures system	40092385883	01/03/1431 (corresponding to 15/02/2010G)	04/04/1443 (corresponding to 09/11/2021G)	Riyadh Municipality
3	Civil Defense License	A legally required license according to the Civil Defense Law	41-000220994-2	25/06/1441 (corresponding to 19/02/2020G)	25/06/1442 (corresponding to 07/02/2021G)	General Directorate of Civil Defense
4	Certificate of registration with the Riyadh Chamber of Commerce and Industry	Utilization of services provided by the Riyadh Chamber of Commerce and Industry	101000180515	03/05/1441 (corresponding to 29/12/2019G)	04/08/1446 (corresponding to 10/11/2024G)	Riyadh Chamber of Commerce and Industry
5	Service Investment License	SAGIA's approval to practice insurance activity in the Kingdom	102030061207-01	26/01/1426 (corresponding to 07/03/2005G)	29/01/1446 (corresponding to 05/08/2024G)	Ministry of Investment
6	License to practice insurance activity	SAMA's approval to practice insurance activity in the Kingdom	TMN/3/20079	29/08/1428 (corresponding to 12/09/2007G)	26/08/1443 (corresponding to 29/03/2022G)	Saudi Central Bank (SAMA)
7	Council of Cooperative Health Insurance (Company's qualification)	Permission to issue or renew health insurance policies	N/A	N/A	15/02/2022G	Council of Cooperative Health Insurance
8	Saudization Certificate	The Company's compliance with the required Saudization rates	20002106004282	26/10/1442 (corresponding to 07/06/2021G)	04/04/1443 (corresponding to 09/11/2021G)	Ministry of Human Resources and Social Development
9	Zakat and Income Certificate (final)	Company's commitment to provide its annual declaration and meet its obligations as to payment of Zakat in accordance with GAZT laws.	1110577442	02/08/1441 (corresponding to 03/26/2020G)	09/18/1442 (corresponding to 04/30/2022G)	GAZT
10	GOSI certificate	Company's compliance with GOSI laws	37297101	01/08/1442 (corresponding to 14/03/2021G)	05/03/1443 (corresponding to 11/10/2021G)	General Organization for Social Insurance (GOSI)

\* The company is currently taking the necessary measures to renew the expired civil defense license

Source: Company



**Table No. (10.2): Summary of approvals related to insurance products provided by the Company in accordance with the applicable laws**

	Product	No.	Issuer	Date of approval
1	Sabotage and terrorism insurance	371000115524	SAMA	10/08/2016G
2	Collective health Insurance	20-246	SAMA	12/01/2008G
3	Money insurance	5835-258	SAMA	06/02/2008G
4	Life insurance	51750-1990	SAMA	13/10/2010G
5	All-risk property insurance (LM7)	371000115526	SAMA	09/08/2016G
6	Individual personal accident insurance	371000115530	SAMA	09/08/2016G
7	Hull insurance	371000115539	SAMA	09/08/2016G
8	Machinery breakdown insurance (lost profits and spoilt stock)	371000115540	SAMA	09/08/2016G
9	Business interruption insurance	2333	SAMA	09/08/2016G
10	Pilot loss of license Insurance	371000115544	SAMA	09/08/2016G
11	Latent defects insurance	1157	SAMA	09/08/2016G
12	General liability insurance	371000115523	SAMA	09/08/2016G
13	Plastic card insurance	371000115529	SAMA	09/08/2016G
14	Comprehensive home insurance and its contents	371000115546	SAMA	09/08/2016G
15	Property insurance against fire and other perils	371000115547	SAMA	09/08/2016G
16	Electronic equipment insurance	371000115550	SAMA	09/08/2016G
17	Comprehensive general liability insurance	371000115560	SAMA	09/08/2016G
18	Comprehensive crime insurance	371000115561	SAMA	09/08/2016G
19	Boiler and pressure vessel insurance	371000115562	SAMA	09/08/2016G
20	Insurance against medical errors	371000115536	SAMA	09/08/2016G
21	Insurance against medical errors	39100024158	SAMA	19/11/2017G
22	Group personal accident insurance	371000115532	SAMA	09/08/2016G
23	Auto dealer liability Insurance	371000115534	SAMA	09/08/2016G
24	Aircraft hull all-risk insurance	371000115563	SAMA	09/08/2016G
25	Airport contractors' liability insurance	371000115564	SAMA	09/08/2016G
26	Directors and officers liability insurance	371000115552	SAMA	09/08/2016G
27	Insurance against stock spoilt due to machine malfunction	371000115542	SAMA	09/08/2016G
28	Contractors' plant and equipment insurance	371000115557	SAMA	09/08/2016G
29	All-risk property insurance (ABI)	371000115527	SAMA	09/08/2016G
30	Installation risk insurance	371000115549	SAMA	09/08/2016G
31	Contractors' all-risk insurance	371000115558	SAMA	09/08/2016G
32	Marine insurance	738-51	SAMA	13/01/2008G
33	Marine cargo insurance (single shipment)	738-51	SAMA	13/01/2008G
34	Land cargo insurance (single shipment)	738-51	SAMA	13/01/2008G
35	Land cargo insurance (annual coverage)	738-51	SAMA	13/01/2008G
36	Workmen's compensation insurance	2334-70	SAMA	19/01/2008G
37	Treasury fund insurance	5835-258	SAMA	06/02/2008G
38	Money in transit insurance	5835-258	SAMA	06/02/2008G



	Product	No.	Issuer	Date of approval
39	Comprehensive banking insurance	5835-258	SAMA	06/02/2008G
40	Fidelity insurance	5838-261	SAMA	06/02/2008G
41	Comprehensive banking insurance	5839-262	SAMA	06/02/2008G
42	Motor insurance	9709-424	SAMA	01/03/2008G
43	Carriers liability insurance	17427-690	SAMA	01/03/2008G
44	Indonesian domestic worker insurance	00194-10	SAMA	28/12/2008G
45	Jewelry insurance	36859-1287	SAMA	04/07/2010G
46	Protection and savings Insurance - credit	11858-594	SAMA	25/01/2012G
47	Travel Insurance	-	SAMA	14/04/2012G
48	Domestic worker insurance	53397-2874	SAMA	25/10/2012G
49	Bank loan insurance	361000127143	SAMA	09/07/2015G
50	Comprehensive motor insurance	371000020864	SAMA	01/12/2015G
51	Motor third-party civil liability insurance	371000020864	SAMA	01/12/2015G
52	Visitor health insurance	371000104689	SAMA	29/06/2016G
53	Drone insurance	-	SAMA	04/01/2021G
54	Event Cancellation Insurance	41025958	SAMA	14/05/2020G
55	Insurance against stock spoilt	371000115554	SAMA	09/08/2016G
56	Compulsory insurance for government vehicles	16924-89	SAMA	22/11/2018G
57	Group medical insurance product (non-CCHI)	260-5837	SAMA	06/02/2008G
58	political violence insurance	-	SAMA	04/04/2021G

## 10.2 Continuing obligations imposed on the Company by Government Authorities

### Continuing obligations according to SAMA requirements:

In accordance with Article 76 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, SAMA shall be entitled to request the license withdrawal of the Company in the following cases:

- 1- If the Company does not carry out its business activities for a period of six months from the issuance date of the license.
- 2- If the Company does not comply with the Cooperative Insurance Companies Control Law and its Implementing Regulation.
- 3- If discovered by SAMA that the rights of the insured, beneficiaries or shareholders are at risk of being lost as a result of the way the Company conducts its business.
- 4- If discovered by SAMA that the Company intentionally provided false information in its licensing application.
- 5- If the Company goes bankrupt.
- 6- If the business is fraudulently conducted by the Company.
- 7- If the paid-up capital falls below the prescribed minimum limit or failure to fulfill financial solvency requirements contained in the Implementing Regulation.
- 8- If the business or volume of activities falls to a limit that SAMA finds unviable to operate under.
- 9- The Company's refusal or delay of due payments without just cause.
- 10- The Company's prevention of the inspection team assigned by SAMA from performing its task in examining its records.
- 11- Failure to implement a final judgment issued against it in any insurance disputes.

With regard to the seventh paragraph above of the conditions, the required financial solvency margin must be adhered to according to Article 66 and Article 67 of the Implementing Regulation.



As of the date of this Prospectus, the Company is in compliance with SAMA's Laws and Implementing Regulations. However, the company has previously been subjected to penalties and fines for violating some provisions as follows:

- On 29/01/2018G, SAMA issued a letter prohibiting the Company from accepting new clients, thereby preventing it from issuing or renewing any insurance policies due to the low solvency margin of the Company, as well as obligating the Company to increase its capital to the extent necessary to address the decrease in the solvency margin. This ban was lifted on 14/04/2018G.
- On 08/11/1440H (corresponding to 11/07/2019G), SAMA imposed a fine of fifty thousand Saudi Riyals (SAR 50,000) on the Company for not updating the anti-money laundering and terrorism financing policy and not verifying the absence of a criminal record prior to joining the job.
- On 12/05/1439H (corresponding to 29/01/201G), SAMA issued a letter prohibiting the Company from accepting new clients, thereby preventing it from issuing or renewing any insurance policies as of 05/13/1439H (corresponding to 30/01/2018G). This ban was lifted on 01/08/1439H (corresponding to 17/04/2018G).
- On 13/02/1442H (corresponding to 01/10/2020G), SAMA imposed a fine of ten thousand Saudi Riyals (SAR 10,000) on the Company, for offences committed by the Company in connection with the non-application of precautionary measures to limit the spread of the Corona virus.
- Under letter No. 42014606 dated 09/03/1442H (corresponding to 26/10/2020G), SAMA imposed a fine of one hundred and twenty thousand Saudi Riyals (SAR 120,000) on the Company for its violation of the SAMA's instructions regarding due diligence in combating money laundering and terrorism financing.

Please refer to subsection 2.1.3 "Risks related to penalties, fines and suspension of business by competent authorities" of Section 2 "Risk Factors".

### Continuing obligations as per CMA's requirements:

The CMA requires listed companies to comply with the Rules on the Offer of Securities and Continuing Obligations, special instructions issued by CMA, in particular the obligation to periodically disclose material and financial developments and the Board of Directors' report. Insurance companies are also obligated to announce their financial results in accordance with the forms approved by CMA, which must include clear data on the surplus (deficit) of insurance operations minus the return on investments of policyholders, total written insurance premiums, net written premiums, net claims incurred, net profits (losses) of investments of policyholders, net profits (losses) of investments of shareholders' funds, and a comparison of such data with the corresponding quarterly or annual period. According to the Listed Companies' Continuing Obligations Manual, the annual financial results announced on Tadawul website must be derived from the audited financial statements approved by Company's external auditor appointed by the general assembly and approved by Board of Directors. In addition, the form of announcement, set out in the Instructions for Companies' Announcements of their financial results, must be adhered to, and the Company must also provide a statement of all the reasons and impacts of the change in financial results of the current fiscal year with the comparison period so that the reasons include all items of financial results announcement.

On 23/01/1438H (corresponding to 24/10/2016G), CMA's Board Resolution No. (1-130-2016) was issued to amend the procedures and instructions for market-listed companies whose accumulated losses amounted to (50%) or more of their capital in light of the New Companies Law, whose name has been modified to become "Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or more of their Share Capital", as amended by the Resolution of CMA Board No. (1-77-2018) dated 05/11/05 1439H corresponding to 18/07/2018G.

CMA also obligated listed companies to follow the instructions related to companies' announcements issued pursuant to the CMA's Board Resolution No. (1-199-2006) dated 18/07/1427H (corresponding to 12/08/200G) and amended by Resolution No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G).

CMA obligated the companies listed in the financial market to disclose, in stages, their compliance with the transition to International Financial Reporting Standards.

As of the date of this Prospectus, the Company is in compliance with the Capital Market Law and its implementing regulations. However, the Company has previously been subjected to financial fines for violating some provisions as follows:

- On 25/12/2018G, the CMA imposed a fine of twenty thousand Saudi riyals (SAR 20,000) on the Company, for the violation of paragraph (a) of Article 62 of the Rules on the Offer of Securities and Continuing Obligations, due to its delay in informing the CMA and the public of the appointment of a financial advisor to manage the underwriting in the rights issue shares. The CMA also imposed a fine of twenty thousand Saudi riyals (SAR 20,000) on the Company, for its violation of Paragraph (5) of Article 62 of the Rules on the Offer of Securities and Continuing Obligations, due to its delay in informing the CMA and the public of the appointment of Abdul Rahman bin Muhammad Al-Zwaidi as CEO of the Company. The CMA imposed a fine of twenty thousand Saudi Riyals (SAR 20,000), for the Company's violation of Paragraph (28) of Article 62 of the Rules on the Offer of Securities and Continuing Obligations, due to its delay in informing the CMA and the public of the results of the held ordinary general assembly meeting.



- On 11/10/2018G, the CMA imposed a fine of one hundred and eighty thousand Saudi Riyals (SAR 180,000) Saudi Riyals, for the Company committing eighteen (18) violations during the fiscal years from 2008G to 2017G, in relation to its violation of the Listing Rules and the Corporate Governance Regulations, as follows:
  - Failure to disclose all information required in the financial statements or the notes to the financial statements.
  - Providing incorrect disclosures in the financial statements or the notes to the financial statements.
  - The Company's failure to properly disclose the value of the transactions.
  - Failure to create provisions and properly record events and transactions.
  - The report of the Board of Directors does not contain all the necessary information.
  - The Company's Board of Directors' confirmation of the integrity of the financial and accounting systems and the application of appropriate control systems to manage risks.
  - The Company's disclosure of incorrect and misleading information to the public and CMA.
  - Failure of the Company's Board of Directors to annually review the effectiveness of the internal control procedures.
  - The Company's failure to disclose some transactions with related parties.

Please refer to subsection 2.1.3 "Risks related to penalties, fines and suspension of business by competent authorities" of Section 2 "Risk Factors".

### Continuing obligations according to the requirements of the Council of Cooperative Health Insurance:

Medical insurance products are subject to the regulations of the Council of Cooperative Health Insurance ("Insurance Council") after being approved by SAMA. The Insurance Council monitors the Company and ensures its compliance with the terms regulating the provision of medical insurance products.

Article 43 of the Implementing Regulation of the Cooperative Health Insurance Law stipulates that insurance companies may not provide cooperative health insurance unless accredited by the Insurance Council. Accreditation shall be limited to a period of three years renewable for similar periods. Article 44 of the Implementing Regulations of the Cooperative Health Insurance Law stipulates that cooperative insurance companies shall be accredited to provide health insurance pursuant to an application submitted for such purpose. The Insurance Council may specify the details it deems necessary regarding the nature and scope of data to be included in the application. The Insurance Council shall decide on such application within 90 days from the date of submission.

The Insurance Council shall monitor the Company and ensure its compliance with the conditions regulating the provision of medical insurance products, including:

- Commitment to provide specialized medical staff to give the necessary medical approvals within a time period not exceeding sixty (60) minutes. In the event of non-approval, the reasons must be formally explained.
- Commitment to pay dues to medical service providers, such as hospitals and medical clinics, no later than forty-five (45) days.

### Continuing obligations according to the requirements of the Ministry of Investment:

Due to the ownership of some foreign founding shareholders (non-Saudis and non-Gulf citizens) in the capital, the Company issued a service investment license No. (102030061207-01) issued by the Ministry of Investment (formerly the General Investment Authority) on 26/01/1426H (corresponding to 07/03/2005G) and valid until 09/11/1444H (corresponding to 29/05/2023G).

The Ministry of Investment requires licensed companies to abide by the following instructions: (1) the commercial registration data shall not differ from the data in the investment license issued by the CMA; (2) not to engage in an unlicensed investment or commercial activity; (3) having an investment license for the Company's branches and marketing centres (meaning the points of sale); (4) not to cease the investment activity during the license validity period, except in cases of force majeure that are accepted by the CMA, while submitting a timetable indicating the date of resumption of activity within five (5) days from the date of the occurrence of the force majeure event; (5) not to use the name or logo of a global or local commercial agency without a license, or to use publications, seals or advertising media in a trade name that is contrary to the name licensed by the Ministry of Investment; (6) conformity of product specifications and style with approved Gulf, Saudi or international specifications; or (7) notify the CMA in writing of changing the address, correspondence and contact data, or updating the data.

All companies licensed by the Ministry of Investment must apply for amending their license in accordance with any amendments to their data, for example in the event of reducing or increasing the capital, amending the trade name or opening of branches.



As on the date of this Prospectus, the Company is committed to the requirements of the Ministry of Investment and the above-mentioned license terms and instructions.

### 10.3 Company's Branches and Points of Sale

Article 5 of the Company's Bylaws stipulate that the Company may establish branches, offices or agencies inside or outside the Kingdom after the approval of SAMA. In accordance with Article 9 of the Cooperative Insurance Companies Control Law, SAMA written approval must be obtained prior to opening branches of insurance companies. SAMA requires insurance companies wishing to open branches to adhere to the statutory procedures related to the opening of branches for joint stock companies issued by the Ministry of Commerce. As for points of sale, the municipality license and/or rental contract are sufficient if the point of sale is located in government facilities, hotels or tourist resorts (such as a kiosk). As of the date of this Prospectus, the Company obtained the final approval of the SAMA to open a number of branches and points of sale as follows:

**Table No. (10.3): Details of the Commercial Registration Certificates issued to the Company's branches and points of sale**

No.	Location	Commercial Registration No.	Registration Date	Expiry Date
1	An Nasim (Riyadh)	1010437626	02/12/1436H (corresponding to 15/09/2015G)	02/12/1442H (corresponding to 12/07/2021G) **
2	Malaz (Riyadh)	1010332033	20/04/1433H (corresponding to 13/03/2012G)	20/04/1445H (corresponding to 04/11/2023G)
3	Al-Ahsa	2250045964	20/04/1433H (corresponding to 13/03/2012G)	20/04/1445H (corresponding to 04/11/2023G)
4	Qatif	2053024944	20/04/1433H (corresponding to 13/03/2012G)	20/04/1445H (corresponding to 04/11/2023G)
5	Al Rawda (Riyadh)	1010437627	02/12/1436H (corresponding to 15/09/2015G)	02/12/1442H (corresponding to 12/07/2021G) **
6	Al Rawabi (Al Khobar) *	-	-	-
7	Southern Rakah (Al Khobar)	2051040927	09/10/1430H (corresponding to 28/09/2009G)	08/10/1443H (corresponding to 09/05/2022G)
8	Shifa (Riyadh)	1010331834	20/04/1433H (corresponding to 13/03/2012G)	20/04/1444H (corresponding to 14/11/2022G)
9	Dammam Souk	2050082006	20/04/1433H (corresponding to 13/03/2012G)	20/04/1445H (corresponding to 04/11/2023G)
10	Buraidah	1131040499	20/04/1433H (corresponding to 13/03/2012G)	20/04/1444H (corresponding to 14/11/2022G)
11	Khamis Mushait	5855042429	02/04/1433H (corresponding to 24/02/2012G)	20/04/1444H (corresponding to 14/11/2022G)
12	Kandara (Jeddah)	4030225030	20/04/1433H (corresponding to 13/03/2012G)	20/04/1445H (corresponding to 04/11/2023G)
13	Jeddah	4030193196	18/09/1430H (corresponding to 08/09/2009G)	18/09/1443H (corresponding to 19/04/2022G)
14	Medina	4650078940	28/08/1436H (corresponding to 15/06/2015G)	28/02/1442H (corresponding to 15/10/2020G) **

\* The Company has not obtained this certificate as of date of this Prospectus, and the Company is currently taking the necessary measures to issue the same

\*\* The Company is currently taking the necessary measures to renew the validity of the 3 expired Commercial Registration Certificates

Source: Company



**Table No. (10.4): Details of municipal licenses issued to Company branches and points of sale**

No.	Location	License No.	Registration Date	Expiry Date	Issuer
1	An Nasim (Riyadh)	40092379013	15/01/1437H (corresponding to 28/10/2015G)	15/01/1443H (corresponding to 23/08/2021G) *	Riyadh Municipality
2	Malaz (Riyadh)	40102402994	15/07/1433H (corresponding to 05/06/2012G)	15/07/1443H (corresponding to 16/02/2022G)	Malaz Municipality
3	Al-Ahsa	3909442411	21/02/1437H (corresponding to 03/12/2015G)	02/02/1443H (corresponding to 09/09/2021G) *	Al Mubarraz Municipality
4	Qatif	41073492027	27/05/1434H (corresponding to 08/04/2013G)	04/07/1443H (corresponding to 05/02/2022G)	Ash Sharqiyah Municipality
5	Al Rawda (Riyadh)	40092379419	03/02/1438H (corresponding to 03/11/2016G)	21/02/1443H (corresponding to 28/09/2021G) *	Riyadh Municipality
6	Al Rawabi (Al Khobar) *	41022588182	05/07/1432H (corresponding to 07/06/2011G)	28/02/1443H (corresponding to 05/10/2021G)	Ash Sharqiyah Municipality
7	Southern Rakah (Al Khobar)	39111308277	29/02/1437H (corresponding to 11/12/2015G)	28/02/1443H (corresponding to 05/10/2021G)	Ash Sharqiyah Municipality
8	Shifa (Riyadh)	40031843879	29/02/1437H (corresponding to 11/12/2015G)	27/05/1443H (corresponding to 31/12/2021G)	Riyadh Municipality
9	Dammam Souk	3909670627	28/08/1436H (corresponding to 15/06/2015G)	09/09/1442H (corresponding to 21/04/2021G) *	Ash Sharqiyah Municipality
10	Buraidah	390991162	16/05/1437H (corresponding to 25/02/2016G)	16/05/1443H (corresponding to 20/12/2021G)	Qassim Municipality
11	Khamis Mushait	42034047061	19/02/1435H (corresponding to 22/12/2013G)	19/02/1444H (corresponding to 15/09/2022G)	Jeddah Municipality
12	Kandara (Jeddah)	39111397310	15/02/1435H (corresponding to 18/12/2013G)	14/02/1444H (corresponding to 10/09/2022G)	Al-Balad Municipality
13	Jeddah	449/1436	17/11/1439H (corresponding to 30/07/2018G)	17/11/1439H (corresponding to 30/07/2018G) *	Jeddah Municipality
14	Medina	42013693772	24/11/1439H (corresponding to 06/08/2018G)	24/11/1443H (corresponding to 23/06/2022G)	Quba Municipality

\* The company is currently taking the necessary measures to renew the validity of the 5 expired municipality licenses.

Source: Company

**Table No. (10.5): Details of Civil Defense Licenses issued to Company branches and points of sale**

No.	Location	License No.	Registration Date	Expiry Date
1	An Nasim (Riyadh)	50/DW	11/02/1437H (corresponding to 23/11/2015G)	11/02/1440H (corresponding to 20/10/2018G) **
2	Malaz (Riyadh)	46	17/08/1433H (corresponding to 07/07/2012G)	17/08/1434H (corresponding to 26/06/2013G) **
3	Al-Ahsa *	-	-	-
4	Qatif	42-000306079-3	11/10/1442H (corresponding to 23/05/2021G)	11/10/1443H (corresponding to 12/05/2022G)
5	Al Rawda (Riyadh) *	-	-	-
6	Al Rawabi (Al Khobar) *	-	-	-
7	Southern Rakah (Al Khobar)	41-000394292-1	07/02/1441H (corresponding to 06/10/2019G)	07/02/1442H (corresponding to 24/09/2020G) **
8	Shifa (Riyadh)	5	27/06/1434H (corresponding to 07/05/2013G)	27/06/1436H (corresponding to 16/04/2015G) **
9	Dammam Souk	42-000671229-1	04/07/1442H (corresponding to 16/02/2021G)	04/07/1443H (corresponding to 05/02/2022G)
10	Buraidah	732	25/06/1436H (corresponding to 14/04/2015G)	25/06/1438H (corresponding to 24/03/2017G) **
11	Khamis Mushait	39-000199558-1	10/11/1439H (corresponding to 23/07/2018G)	10/11/1440H (corresponding to 13/07/2019G) **
12	Kandara (Jeddah)	40-000221670-1	15/01/1440H (corresponding to 25/09/2018G)	15/01/1441H (corresponding to 14/09/2019G) **
13	Jeddah	36665000001	15/02/1436H (corresponding to 07/12/2014G)	3/01/1437H (corresponding to 26/10/2015G) **





No.	Location	License No.	Registration Date	Expiry Date
14	Medina	15904	04/08/1438H (corresponding to 30/04/2017G)	04/08/1440H (corresponding to 09/04/2019G)''

\* The Company has not obtained these licenses as of the date of this Prospectus, and the Company is currently taking the necessary measures to issue the same.

'' The Company is currently taking the necessary measures to renew the validity of the 9 expired civil defense licenses

Source: Company

## 10.4 Summary of Material Contracts

### 10.4.1 Contracts and transactions with related parties

Upon entering into the contracts and agreements referred to below, the Company undertakes that all transactions shall be conducted on an arm's length basis to guarantee Shareholders' rights and that such contracts shall be voted on by the General Assembly of the Company without the participation of the Shareholders who have interests in those contracts. The Company and its Board of Directors confirm their commitment to the requirements of the Companies Law and Corporate Governance Regulations for transactions with related parties with respect to such contracts. Agreements that have not yet been approved shall be presented in the next meeting of the Ordinary General Assembly. Such agreements have been deemed Related Party agreements upon election of the current Board of Directors.

The following table shows the currently applicable insurance policies with the Board Members and Related Parties:

**Table No. (10.6): Insurance Policies with the Directors and Related Parties**

S/N	Related Parties	Annual premium (Total)	Insurance policy
1	Alissa Group	118,472,142	5995337
2			5989801
3			5990098
4			5992318
5			5990072
6			5990064
7			5989926
8			5988043
9			5806567
10			1804863
11			5806534
12			5825260
13			5806542
14			5993373
15	Saudi Investment Bank	5,428,231	1800473
16			216
17			5800859
18			5806435
19			5801261
20	Abunayyan Trading Company	4,992,465	5823455
21			13250816
22			13677018
23	Saudi Tumpane Company	2,473,098	13682729
24			13247440
25			13682703



S/N	Related Parties	Annual premium (Total)	Insurance policy
26	Citiscap Company (Citiscap)	1,717,160	13247291
27			13682562
28	Toray Membrane Middle East LLC	983,754	13247341
29			13682828
30	Jobar International Company	837,653	13247358
31			13682653
32	KBS Arabia Pumps Company	781,674	13247333
33			13682760
34	Bayan Credit Information Company	663,248	13200613
35			13665302
36	Middle East Agriculture Company	544,657	13247416
37			13682620
38	Industrial Instrumentation and Control Systems Ltd.	531,617	13247309
39			13682604
40	Arabian Power Company	446,418	13247457
41			13682638
42	Abdullah Abunayyan Electric Company.	263,149	13247317
43			13682810
44	Electronic and Electrical Industries Company.	241,186	13247325
45			13682596
46	Saudi Meters Company Ltd.	179,595	13247424
47			13682943
48	Raad Barakati	8,998	3311834
49			3389590
50			3926268
51	Hamad Al-Yousifi	5,822	3771839
52	Ahmed bin Ahmed	1,885	3801834
53	Amal Saleh bin Shiha	869	3304672
54	Mohammed bin Omar bin Saad Al-Ayidi	686	20889192



### 10.4.2 Insurance Brokerage Agreements

- The Company has entered into 73 non-exclusive insurance brokerage agreements with insurance brokers to attract clients and facilitate the sale of the Company's insurance products to individuals, companies and other bodies. The insurance brokers include Kingdom Brokerage for Insurance and Reinsurance, Union Insurance Broker Co., and Insurance Brokerage House. Insurance brokers are entitled to a commission according to the percentages stipulated in the Insurance Intermediaries Regulation ranging between 2% and 15% according to the types of insurance/products sold. Commissions are calculated on a premium basis and no commissions are paid for expenses.

The following is a summary of the main items of non-exclusive insurance brokerage agreements, which include the obligations of the Company and the Broker.

The Broker's obligations include, but are not limited to:

- The Broker shall, at its own expense, maintain a professional liability insurance policy valid for the term of this Agreement, with an insurance limit of no less than SAR 3,000,000 per incident in accordance with SAMA's Implementing Regulations, and this policy shall be underwritten by an insurer authorized and approved by the Company.
- The Broker shall be responsible for marketing and sale of the insurance policies issued by the Company of all types and categories, with the obligation to provide insurance coverage in accordance with the underwriting rules and restrictions and as per the prices of contributions (premiums) prescribed by the Company and its amendments made from time to time.
- The Broker shall accept or reject the insurance coverage only with the prior written consent of the Company.
- The Broker shall immediately inform the Company, upon becoming aware of any event or change that may occur in relation to the risks covered by an insurance policy issued by the Company pursuant to this Agreement or upon being familiar with any data relating to any client that may cause harm to the Company or any circumstance that may result in a claim against the Company. In addition, the Broker shall follow up on any complaint received from its clients with the Company.
- The Broker shall not allow its employees to mix the insurance business with that of reinsurance brokerage and commissions and fees of the insurance business shall be separated from those associated with the reinsurance business. In addition, there shall be no conflict of interests to the detriment of the client.
- The Broker shall represent the clients before the Company and provide sufficient information about the products to the clients and the limits of the insurance coverage and coverage exemptions. There should be no kind of temptation and disinformation in this representation. The Broker shall also undertake the necessary arrangements with its clients in order for the Company to detect and inspect the risks to be insured.
- The Broker shall immediately notify the Company if the client delays payment of the insurance premium within a maximum of three days from the date of maturity. The Broker shall also clarify the mechanism of payment of insurance premiums and any additional amounts due to the Company to its clients.

The Company's obligations include, but are not limited to:

- The Company shall, at the end of each month, submit a statement of account to the Broker indicating the insurance policies sold thereby, premiums payable by each client, as well as the commissions due to the Broker.
- The Company shall pay the commissions due to the Broker for net contributions or premiums collected only by the Broker, and paid to the Company for marketing, sales and customer services.

The term of these agreements is one calendar year, automatically renewed for a similar period unless either party notifies the other, within a period of no less than sixty (60) days prior to the expiry of the agreement, of its intention not to renew. The agreement shall be governed by the laws and regulations of the Kingdom of Saudi Arabia. In case of any dispute, SAMA's Committee for the Resolution of Insurance Disputes and Violations shall have the jurisdiction to decide thereon unless the Parties amicably resolve the dispute within thirty (30) days of its occurrence.

**The following are the details of Reinsurance Brokerage Agreements concluded by the Company:**

The Company concluded a number of reinsurance brokerage agreements with:

- Kingdom Brokerage for Insurance and Reinsurance.
- Marsh Saudi Arabia – Insurance and Reinsurance Brokerage Company.
- Chedid Reinsurance Brokerage Company, and
- Nasco Karaoglan Saudi Arabian Insurance and Reinsurance Brokerage Company.



Reinsurance Brokers shall, for a commission paid by the Company, negotiate with reinsurers to complete reinsurance procedures for the Company.

The Reinsurance Broker's obligations include, but are not limited to:

- The Reinsurance Broker shall, at its own expense, maintain a professional liability insurance policy valid for the term of this agreement, with an insurance limit of no less than SAR 6,000,000 per incident in accordance with SAMA's Implementing Regulations.
- The Reinsurance Broker may not have a conflict of interest with respect to any insurance policies, proposals or contracts concluded between the Company and the client of the Reinsurance Broker.
- Without the prior written approval from the Company, the Reinsurance Broker may not assign a third party to perform any activities under such an agreement.
- The Reinsurance Broker shall, throughout contact with several reinsurers, provide advice, technical consultations and suggest the most appropriate terms and quotations offered by the reinsurers for the Company.
- The Reinsurance Broker shall regularly provide the Company with the required professional advice and the necessary professional clarification, when necessary, and it shall also use, or recommend to engage, experts as required.
- The Reinsurance Broker shall, within a period not exceeding 7 working days of the date of collection/payment, transfer all insurance premiums paid by the Company to reinsurer(s) and transfer to the Company the refunds of implementation of works for the Company through an official letter. Furthermore, the Reinsurance Broker shall provide the Company with a detailed report on such premiums/refunds.
- The Reinsurance Broker shall, unless a shorter period is provided for under the applicable laws, transfer all amounts arising from claims/indemnities and collected from reinsurer(s) within 7 working days of the date of collection to the Company's account.

The term of the majority of reinsurance brokerage agreements shall be one calendar year, automatically renewed for a similar period unless either party notifies the other, within a period of no less than sixty (60) days prior to the expiry of the agreement. The agreement shall be governed by the laws and regulations of the Kingdom of Saudi Arabia. In case of any dispute, SAMA's Committee for the Resolution of Insurance Disputes and Violations shall have the jurisdiction to decide thereon unless the Parties amicably resolve the dispute within thirty (30) days of its occurrence.

### 10.4.3 Reinsurance Agreements

The Company has entered into a number of reinsurance agreements with reinsurers through direct contracting or via reinsurance brokers. Under these agreements, the Company assigns all or part of the losses that may arise under the insurance policies issued by the Company to the reinsurer for an agreed premium, and the Company is compensated for all or part of the losses of the issued insurance contracts. These agreements include different exemptions, depending on the product to be reinsured, with a common term of 12 months.

Reinsurance includes several types of arrangements, including:

- **Facultative Reinsurance:** Under such an arrangement, the Company familiarizes the reinsurer with the risks on a case-by-case basis. The reinsurer has the option to accept or neglect the offered risks.
- **Treaty Reinsurance:** Under such arrangement, the Company assigns certain risks within certain amounts and percentages to the reinsurer and the reinsurer agrees to accept reinsurance of the assigned risks. This arrangement involves two key types:
  - **Quota-Share Reinsurance:** Under such an arrangement, the Company assigns certain risks within certain agreed amounts and percentages to the reinsurer. The reinsurer agrees to insure the risks assigned thereto in respect of premiums and damages, whether the calculation is in accordance with specific amounts, or claims in which the Company is a Plaintiff.
  - **Excess of Loss Reinsurance:** Under such an arrangement, the Company shall assign certain risks within certain amounts in excess of the amount of loss that the Company decides to bear. The reinsurer shall accept insurance of risks assigned thereto.



The following is a list of reinsurance agreements concluded by the Company during 2020G:

	Reinsurance Company	Credit rating	Insurance policy / Type of Cover	Type of Contract
1	Gen Re	AA+	Medical	Treaty
2	Hannover RE	A+	General	Treaty
3	Swiss RE	AA-	Motors	Treaty
4	R+V RE	AA-	General	Treaty
5	Odyssey RE	A2	General	Treaty
6	AXA XL	A	General / Motors	Treaty
7	CCR	A-	General	Treaty
8	Mapfre	A	Travel	Treaty
9	Liberty	A+	General	Treaty

## 10.5 Disputes and litigation

In the course of the Company's business, some policyholders filed lawsuits and claims against the company regarding its insurance operations, and disputes and judicial claims related to the insurance cover. As at the date of this Prospectus, there are:

- (8) Judicial claims in the Health Insurance Sector for a total amount of (SAR 1,345,816.79).
- (191) judicial claims in the Motor Insurance Sector for a total amount of (SAR 21,726,083.52).
- (4) Judicial claims in the General Insurance Sector for a total amount of (SAR 437,930.39).

A summary of the remaining and pending cases and proceedings and not related to insurance disputes is as follows:

**Table No. (10.7): Proceedings and Judicial Claims**

Type of Proceedings	Subject-matter of Proceedings	Claimed Amount (SAR)	Status/Latest Actions Taken
A judicial financial claim filed before the Committees for Resolution of Insurance Disputes and Violations.	A judicial financial claim against Al Areen Insurance Agency.	21,766,297	As of the date of this Prospectus, the proceedings is pending before the Primary Commission, and the Commission referred the proceedings to an expert seeking their opinion.
<b>Total:</b>	<b>SAR 21,766,297</b>		
<b>The total amount judged:</b>	<b>-</b>		

Source: Company

Except for the proceedings referred to above and the case referred to in Section 10.5.1 "**Summary of the Case brought by the Company against the former CEO and Managing Director**" below, as of the date of this Prospectus, the Company confirms that it is not a party to any proceedings, arbitration or administrative procedures that may materially affect the Company's business or financial position.

### 10.5.1 Summary of the Case brought by the Company against the former CEO and Managing Director

The Company filed a proceeding in the Commercial Court in Riyadh on 22/04/1439H against the former CEO and Managing Director (the defendant) based on his liability for an amount of SAR 174,309,591, which represents the Company's dues resulting from reinsurance operations carried out through other companies of the defendant at his disposal.

The Company relies in this proceedings on the breaches and violations committed by the defendant, which were monitored in the reinsurance operations, as well as his failure to disclose to the general assembly of the Company's shareholders his private interests in reinsurance operations, and his abuse of the powers and authorities he possessed while working for the Company.

On 21/12/1440H (corresponding to 22/08/2019G), the Commercial Court in Riyadh rendered its judgment with obligating the defendant (the former Managing Director and CEO) to pay the Company an amount of SAR 152,697,441.

On 04/02/1442H (corresponding to 22/09/2020G), the Riyadh Court of Appeal rendered its judgment with quashing the judgment rendered by the Commercial Court above, due to the lack of jurisdiction by the Commercial Court to consider the proceedings. Judgment of lack of jurisdiction does not imply forfeiting the Company's right to its proceedings and the Company will continue the proceedings before the competent judicial authorities. In accordance with the requirements of the CMA, a complaint was submitted to the CMA before the proceedings was filed with the Committee for the Resolution of Securities Disputes, and the complaint is still being considered until the date of this Prospectus.



## 10.6 Approvals required for capital increase

The Company has obtained the following approvals required for capital increase:

- Company Board of Directors' Approval
- SAMA approval
- CMA approval
- Tadawul's Approval
- The Company's Extraordinary General Assembly's approval for Capital Increase

## 10.7 As of the date of this Prospectus, Board members declare that:

- The Offering made under this Prospectus is not in violation of the relevant laws and regulations of the Kingdom of Saudi Arabia.
- The Offering made under this Prospectus is not in breach of any of the contracts or agreements to which the Company is a party.
- All material legal information of the Issuer has been disclosed in the Prospectus.
- Notwithstanding Subsections 10.5 "**Disputes and litigation**" of Section 10 "**Legal Information**" of this Prospectus, the Company is not party to any Proceedings or legal proceedings that may individually or collectively materially affect its business or financial position.
- Board Members are not involved in any litigations or legal proceedings that may, severally and jointly, have a material impact on the Company's business and financial position.
- There is no other material legal information not included in this Section, omission of which would make all other statements therein misleading.



## 11. UNDERWRITING

### 11.1 Underwriter

The Company and the Underwriter (SNB Capital) have entered into an underwriting agreement for the subscription of thirty-five million (35,000,000) ordinary shares at an offer price of twelve Saudi Riyals (SAR 12) per share, representing 100% of the Rights Shares offered for subscription ("Underwriting Agreement").

Table No. (11.1): Underwriter

Underwriter	Total number of Rights Shares offered for subscription	Total percentage of Rights Shares offered for subscription
SNB Capital	35,000,000	100%

### 11.2 Underwriter's Name and Address

#### SNB Capital

The Saudi National Bank Regional Building, Tower B, King Saud Road

PO Box 22216

Riyadh 11495

Kingdom Saudi Arabia

Tel: +966 (11) 874 7159

Fax: +966 (11) 406 0049

Email: snbc.cm@alahlicapital.com

Website: www.alahlicapital.com



### 11.3 Key terms of the Underwriting Agreement

The terms and conditions of the Underwriting Agreement provide that:

- 1- The Company undertakes to the Underwriter that, on the allocation date, it will allocate and issue to the Underwriter all Rights Shares that have not been subscribed for by Eligible Shareholders as additional shares at the Offer Price.
- 2- The Underwriter undertakes to the Company that it will, on the allocation date, purchase the Rights Shares not subscribed for by Eligible Persons, as additional shares at the Offer Price.
- 3- The Underwriter shall, on account of underwriting, receive a specified amount of money to be paid from the Offering Proceeds.





## 12. Waivers

The Company and the Financial Advisor have not applied to the CMA or Tadawul to be exempt from any of the requirements contained in the Listing Rules and the Rules on the Offer of Securities and Continuing Obligations.



## 13. Details on Shares and Offering Terms and Condition

The Company has filed an application for the registration and offering of the new shares to the CMA and to Tadawul for listing the new shares. All the requirements were fulfilled in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

All Eligible Shareholders and holders of acquired Rights must read the subscription terms and conditions carefully before electronic subscription, submission of the subscription application through a Broker, or filling out the Rump Offering application form. The submission of the Subscription Application or the signing and delivery of the Rump Offering Subscription application form constitutes acceptance of the mentioned terms and conditions.

### 13.1 Offering

The Offering is an increase in the Company's share capital by four hundred and twenty million Saudi Riyals (SAR 420,000,000 million) through the issuing of priority rights shares, divided into thirty-five million (35,000,000) ordinary shares at a nominal value of SAR 12 per share.

### 13.2 How to Apply for Subscription to the Rights (New Shares)

The Registered Shareholders and those wishing to subscribe to the Rights shall submit the subscription application during the Subscription Period through the investment portfolio on trading platforms through which sale and purchase orders are entered, in addition to the possibility of subscribing through any other means provided by the Broker and shares Custodian in the Kingdom during the subscription Period. If there is a Rump Offering Period, Subscription Application Forms can also be submitted during such a period by Institutional Investors for any Rump shares only.

The number of shares entitled to an Eligible Person will be calculated based on the number of Rights held thereby. The subscription monies that the subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Subscription Period by SAR (12).

By subscribing, the subscriber:

- Agrees to subscribe for the Company's shares in the number of such shares specified in the Subscription Application Form.
- Declares that they have read the Prospectus and understood all of its contents.
- Accepts the Company's Bylaws and the terms mentioned in the Prospectus.
- Declares that it has not subscribed for the same shares under this offering and the Company has the right to reject all of their applications if it is proven that they submitted more than one application.
- Accepts the number of shares allocated thereto and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form. and
- Warrants not to cancel or amend the Subscription Application Form after submitting it to the Broker.

### 13.3 Trading Period, Subscription Period and Rump Offering Period

The Eligible Shareholders wishing to subscribe to the Rights shall submit the subscription application during the subscription Period, which begins on 10/04/1443H (corresponding to 15/11/2021G) and ends on 20/04/1443H (corresponding to 25/11/2021G).

The EGM on capital increase held on 28/03/1443H (corresponding to 03/11/2021G) approved the recommendation of the Board of Directors to increase the Company's share capital through a Rights Issue. Under this Prospectus, thirty-five million (35,000,000) ordinary shares will be offered for subscription in the Rights Issue, representing 100% of the Company's share capital before the offering, at an Offer Price and nominal value of SAR 10 per share, with a total offering value of four hundred and twenty million (SAR 420,000,000). The new shares will be issued with (one) share for every one Right to shareholders, including Eligible Shareholders who purchased additional Rights along with their originally owned rights.

If Eligible Persons have not exercised the Rights by the end of the Subscription Period, the Rump shares resulting from non-exercise or sale of those Rights will be offered to Institutional Investors in the Rump Offering Period.

Registered Shareholders may trade the Rights deposited in their portfolios via the Saudi Stock Exchange (Tadawul). These Rights are considered to be the acquired right of all shareholders recorded in the Company's shareholders register held with the Depository Center as of the close of the second trading day following the date of the EGM. Each Right grants its holder eligibility to subscribe for one new share at the offer price. The Rights will be deposited after the EGM. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue. Then, Registered Shareholders will be informed of the deposit of the Rights in their portfolios.



The schedule for the sequence and details of the Rights issue process will be as follows:

- **Eligibility Date:** End of trading on the day of the EGM on 28/03/1443H (corresponding to 03/11/2021G).
- **Trading Period and Subscription Period:** The trading period and Subscription offering period start on 10/04/1443H (corresponding to 15/11/2021G). The trading period will end on 17/04/1443H (corresponding to 22/11/2021G), while the Subscription offering period will continue until the end of the day on 20/04/1443H (corresponding to 25/11/2021G).
- **Rump Offering Period:** The Rump offering period starts on 25/04/1443H (corresponding to 30/11/2021G) at 10:00 AM until the following day at 5:00 PM on 26/04/1443H (corresponding to 01/12/2021G). Rump shares will be offered to a number of Institutional Investors, provided that such Institutional Investors shall submit offers to purchase the Rump shares. The Rump shares shall be allocated to Institutional Investors with the highest offer, then to the next one, and the allocation of those shares to Institutional Investors submitting the same offer will be pro rata. Fractional shares shall be added to the Rump shares and treated in the same way. The subscription price of the new unsubscribed Shares for this period will be offered at the offer price, as the minimum price. In case the sale price of such shares is higher than the offer price, the difference (if any) shall be distributed as compensation to the Rights holders who did not exercise their rights in the subscription in proportion to their respective rights.
- **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised by them. As for those entitled to fractional shares, fractional shares will be collected and offered to Institutional Investors during the Rump offering. The total offer price of the Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and fractional shares (in excess of Offer Price) shall be distributed to the Eligible Persons not later than 12/05/1443H (corresponding to 16/12/2021G).
- **Trading of the New Shares on Tadawul:** Trading in the new shares will start on Tadawul upon the completion of all procedures relating to the registration, allocation and listing of the new shares.

### 13.4 Allocations and Refunds

The Company and the Lead Manager will open an Escrow Account in which the proceeds will be deposited.

The Rights Issue shares shall be allocated to the Eligible Persons based upon the number of Rights that they properly exercised. As for Shareholders entitled to fractional shares, these shall be accrued and offered to Institutional Investors during the Rump offering. The total offer price of the of Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and fractional shares (in excess of offer price) shall be distributed to the Eligible Persons not later than 12/05/1443H (corresponding to 16/12/2021G). Excess unsubscribed shares shall be purchased by and allocated to the Underwriter.

Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager is expected to take place by depositing the shares into the accounts of subscribers. Eligible Persons shall contact the branch of the Broker through which the application is submitted for further information. Allocation of shares will be announced no later than 01/05/1443H (corresponding to 05/11/2021G).

### 13.5 Compensation Payment

Compensation shall be paid to Eligible Persons who have not fully or partly participated in the subscription to Rights shares (if any) without any deductions no later than 12/05/1443H (corresponding to 16/12/2021G).

### 13.6 Miscellaneous Terms

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 assignees, executors, administrators and heirs. Except as specifically indicated herein, neither the application 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, conditions and receipt of any Subscription application forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus may be distributed in Arabic and English. In case of conflict between the two texts, the Arabic text of the Prospectus shall prevail.

Although CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by CMA and before approving admission and listing of shares on Tadawul, becomes aware of any of the following:

- That a material change has occurred to any of the basic information contained in this Prospectus.

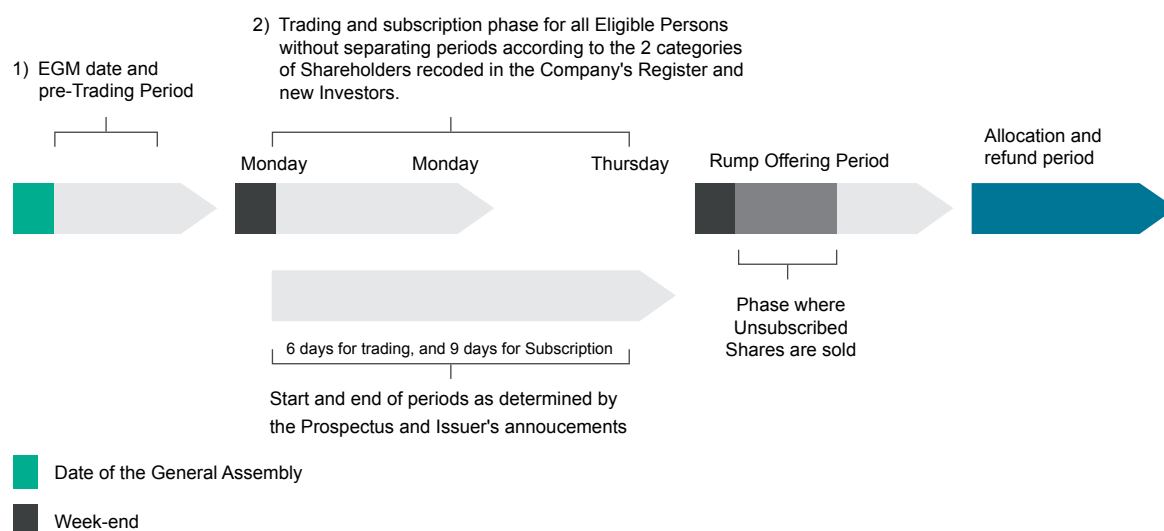


- The emergence of any additional material issues that should have been included in this Prospectus.

In both cases above, the Company shall submit a supplementary prospectus to CMA in accordance with the Rules on the Offer of Securities and Continuing Obligations. The supplementary prospectus shall then be published, and subscription dates thereof will be announced. This Offering may also be suspended if the Extraordinary General Assembly does not approve any of the details of the Offering.

## Graphic illustration for the mechanism for trading in and subscription for Tradable Rights.

Illustration (13.1): Mechanism for trading in and subscription for Tradable Rights



## Q&A related to the New Rights Issue Mechanism

### What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for New Shares upon approval of capital increase. They are acquired rights for all Shareholders who own shares at the date of the EGM for capital increase, and who are registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. Each Right grants its holder the right to subscribe for one New Share at the Offer Price.

### Who is granted the Rights?

The Rights shall be granted to Shareholders registered in the Company's Register as of the close of the second trading day of the EGM on capital increase.

### When are the Rights deposited?

Following the EGM and its approval to increase capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of shareholders registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. The New Rights appear in their portfolios under a new code for the Rights. These Rights cannot be traded or subscribed by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

### How are Registered Shareholders notified of the Rights being deposited in their portfolios?

The Registered Shareholders are notified through an announcement on the Tadawul website and through Tadawulati Service provided by the Depository Center and SMS's sent through intermediaries/brokers.

### How many Rights can be acquired by a Registered Shareholder?

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

### What is the Rights Issue eligibility factor?

It's a ratio that is the means by which the Registered Shareholder can determine the Rights it is entitled to in relation to its shareholding under the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. It is calculated by dividing the number of New Shares by the number of the Company's existing Shares. For example, if a company has issued one thousand (1,000) shares and increased its capital by offering two hundred (200) New Shares, its number of shares becomes one thousand and two hundred (1,200), making the ratio 1 to 5 (i.e. one share for every five shares).



**Will these Rights be tradable and will they be added to the Shareholders portfolios under the same name/ symbol of the Company's shares. or will they be assigned a new name?**

The Rights will be deposited in the investors' portfolios under the name of the original share, and by adding the word "Priority Rights", they will be deposited in a new symbol for these rights.

**What is the value of the Right upon commencement of trading?**

The opening price of the Right is the difference between the closing price of the share on the day preceding the Rights listing and the Offer Price (the 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 Offer Price is ten Saudi Riyals (SAR 10), the opening price of the Rights upon the commencement of trading will be fifteen Saudi Riyals (SAR 15), the difference between the two prices.

**Who is the Registered Shareholder?**

A shareholder who appears in the Company's shareholder 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 through Tadawul during the Trading Period.

**Is it possible for a registered shareholder to lose his/her eligibility to subscribe even if he has the right to attend the EGM and vote on raising the capital through rights issue?**

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

**How does the Subscription take place?**

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

**Can an Eligible Person subscribe to more shares than the Rights owned by him/her?**

An Eligible Person cannot subscribe to more shares than the Rights owned by him/her.

**Is it possible to subscribe more than once through more than one Receiving Agent?**

Yes, provided that the number of Shares subscribed for should not exceed the number of Rights owned at the end of the Trading Period. Any excess in the shares subscribed over the number of Rights owned at the end of the Trading Period will result in the cancellation of the Subscription Application.

**If the 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 in which the shares of the company connected to the rights are deposited. For example, if a shareholder holds one thousand (1000) shares in the company (eight hundred (800) shares in portfolio (a) and two hundred (200) shares in portfolio (b)), then the total rights (amounting to one thousand (1000) rights, as each share is eligible for a right) will be deposited. Therefore, eight hundred (800) rights will be deposited in portfolio (a) and two hundred (200) rights will be deposited in portfolio (b).

**In case of subscription through more than one portfolio, where will the New Shares be deposited after allocation?**

Shares will be deposited to the investment portfolio given under the first Subscription Application Form.

**If the new shares are subscribed, and the Rights are sold thereafter, what would happen in such case?**

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

**Are share certificate holders allowed to subscribe and trade?**

If a Registered Shareholder subscribed and then sold the Rights without purchasing a number of Rights equal to the number of exercised the Rights that were subscribed before the end of the Trading Period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of sold Rights. The Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.

**Are additional Rights purchasers entitled to trade them once again?**

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



### **Is it possible to sell a part of these Rights?**

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

### **When can a Shareholder subscribe for the Rights it purchased during the Trading Period?**

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

### **Can the Eligible Person sell the Right after expiry of the Trading Period?**

No. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the Rights Shares. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio.

### **What happens to the Rights that are unsold or unsubscribed for during 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 through an offering to be organized by the Lead Manager. The amount of compensation (if any) to the Rights holder will be calculated after deducting the subscription value and any other expenses according to the criteria defined by this Prospectus. The investor may not receive any consideration if the sale occurs during the Rump Offering Period at the Offer Price.

### **Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?**

A shareholder registered in the Company's Shareholders Register at the Depository Center after the end of the trading session, on the date of the EGM, shall have the right to attend the EGM and vote on increasing the Issuer's share capital through a Rights Issue.

### **When is the share price adjusted as a result of increasing the Issuer's share capital through a Rights Issue?**

The share price is adjusted by Tadawul before the start of trading on the day, following the EGM.

### **If an investor buys securities on the date of the EGM, will he/she be eligible for the Rights resulting from the increase of the Issuer's share capital?**

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

### **If an investor has more than one portfolio with more than one broker, how will their Rights be calculated?**

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

### **What are the Trading and subscription Periods?**

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

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

No.

### **Can investors, who are not Registered Shareholders, subscribe for the Rights Shares?**

Yes. Investors can subscribe for the Rights Shares upon full purchase of Rights through Tadawul during the Trading Period.

### **Will there be any other fees for the trading in Rights?**

The same commissions on buying and selling transactions for stocks will be applied, but without a minimum commission amount.

## **Resolutions and Approvals are offered under which shares**

On 04/11/1441H (corresponding 14/06/2021G), the Company's Board of Directors recommended that the Company's capital be increased through a Rights Issue of four hundred and twenty million Saudi Riyals (SAR 420,000,000) after obtaining the necessary regulatory approvals.

On 28/03/1443H (corresponding to 03/11/2021G), the Extraordinary General Assembly approved the Board's recommendation on capital increase as stated above. The increase will be restricted to eligible Registered Shareholders at the end of trading on the day of the EGM.



This Prospectus, together with the supporting documents required by CMA, has been approved on the day of announcement on CMA website on 23/02/1443H (corresponding to 30/09/2021G).

### **Are their statements on current arrangements to prevent disposal of certain shares**

There are no current arrangements to prevent the disposal of certain shares.





## 14. Change in share price as a result of capital increase

### Change in the share price as a result of the capital increase

The closing price of the Company's share on the day of the EGM is 23.30 Saudi riyals and it is expected to reach 19.54 Saudi riyals at the opening session next day, and the change represents a decrease of 16.14%. Failure to subscribe to any of the shareholders registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the date of the EGM will lead to a decrease in their ownership percentage in the Company.

**The method of calculating the Share Price as a result of capital increase is:**

**First: Calculation of the market value of the Company at the close of trading on the date of the EGM on capital increase:**

Number of shares at the end of EGM multiplied by the closing price for the Company's share at the date of the EGM = market value of the Company at the close of trading at the date of the EGM.

**Second: Calculation of the Share Price in the opening session on the day following the EGM on capital increase:**

$$\frac{(\text{The market value of the Company at the close of trading on the date of EGM} + \text{Value of Offer Shares})}{(\text{Number of shares at the end of the EGM} + \text{the number of New Shares offered for subscription})} = \text{share price expected for the opening session on the day following the date of EGM.}$$



## 15. Rump Offering

In the event that any shares remain unsubscribed for during the Subscription offering period (Rump shares), they will be offered to a number of Institutional Investors ("Investment Institutions"), provided that such Institutional Investors shall submit offers to purchase the Rump shares and the fractional shares. Receipt of such offers will start at 10:00 AM on 25/04/1443H (corresponding to 30/11/2021G) until the following day at 5:00 PM on 26/04/1443H (corresponding to 01/12/2021G). This offering will be referred to as the Rump offering. The Rump shares will be allocated to the Institutional Investors by giving priority to the highest price per share offered by the relevant Institutional Investor with shares being allocated on a proportional basis among those Institutional Investors that have tendered offers at the same price.

Fractional entitlements to new shares will be combined and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and fractional shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the Eligible Persons who did not subscribe wholly or partly for New Shares and those entitled to fractional shares pro rata to their entitlement on 12/05/1443H (corresponding to 16/12/2021G).

It is expected that trading in the new shares will start on Tadawul system upon completion of all procedures relating to the registration and allocation of the new shares.

The application for listing and offering of the new shares has been submitted to the CMA, and the application for admission of such shares has been submitted to Tadawul.



## 16. Declarations Relating to Subscription

### 16.1 About the Subscription Application and Undertaking

Subscription can be made using trading platforms or any other means provided by the broker to investors. The new shares will be subscribed for in a single stage as follows:

- 1- In this period, all Registered Shareholders and new investors will be allowed to subscribe for the New Shares.
- 2- A Registered Shareholder will be entitled to subscribe directly to the number of its shares during the subscription period. If it purchases new Rights, it may subscribe to them by the end of the settlement period (two working days).
- 3- New investors will be allowed to subscribe for new shares by the end of the settlement period (two working days).
- 4- Subscription will be available online through investment portfolios in trading platforms and applications, through which sale and purchase orders are entered, as well as through other channels and means provided by the broker.

Each Right entitles its holder to subscribe for one new share, at the offering price. The subscriber to the new shares shall acknowledge the following:

- His acceptance of all terms and conditions of subscription contained in this Prospectus.
- He has read this Prospectus and all its contents, carefully studied the same and understood its content.
- His acceptance of the company's bylaws.
- Undertaking not to cancel or modify the subscription application after its implementation.

### 16.2 Allocation process

The Rights Issue Shares shall be allocated to the Eligible Persons based upon the number of Rights that they properly exercised. As for those entitled to fractional shares, fractional shares will be collected and offered to Institutional Investors during the Rump Offering. The Total Offer Price of the Rump Shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump Shares and fractional shares (in excess of the Offer Price) shall be distributed to the Eligible Persons no later than 11/05/1433H (corresponding to 16/12/2021G). Excess Unsubscribed Shares shall be purchased by and allocated to the Underwriters.

Eligible Persons shall contact at broker through which they have submitted the Subscription Application Form to obtain any further information. Notification of the final allocation results will be made no later than 01/05/1443H (corresponding to 05/12/2021G).

### 16.3 Saudi Stock Exchange ("Tadawul")

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi Arabian equities was introduced. Trading is performed on each Business Day from Sunday to Tuesday of each week from 10 am to 3 pm. During this period, the orders are executed. However, other than those times, orders can be entered, amended and deleted from 09:30 am until 10:00 am.

Transactions take place through the automatic matching of orders according to the price level. In general, market orders that are placed at best price are executed first, followed by limit orders that are placed at a price limit. If several orders are generated at the same time, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, in particular Tadawul website, which supplies trading data in real time to information providers such as Reuters. Transactions are automatically settled within two business days according to (T+2).

The Company should report all material decisions and information to the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

### 16.4 Trading the Company's shares in the Tadawul

The application for listing and offering of the new shares has been submitted to Saudi Stock Exchange ("Tadawul"), and this Prospectus has been approved and all requirements have been met.

The listing and offering are expected to be approved, and trading is expected to commence on the Saudi Stock Exchange ("Tadawul") once the final allocation of the rights has been concluded. An announcement will be made on Tadawul website in



due course. The dates and times stated in this Prospectus are only provisional and may be changed subject to approval of the CMA.

Although the Existing Shares are registered in Tadawul, it will only be possible to trade with the new shares once the allocation of the new shares has been approved and these have been deposited in the subscribers' portfolios. It is absolutely forbidden to trade in the new shares until the allocation process has been approved.

Subscribers or proposal providers in the Rump offering and who deal in restricted trading activities will be fully liable for their dealing in such activities, and the Company will not bear any legal liability in this case.



## 17. Documents available for inspection

The following documents will be available for inspection at the Company's head office at Riyadh in the Kingdom of Saudi Arabia during official working hours, from 9:00am until 5:00pm 14 days before the date of the EGM until the end of the Offering period.

### Company's Documents

- Commercial Registration Certificate
- Bylaws

### Offering of Shares

- SAMA approval of the capital increase.
- The announcement of the CMA's approval of the Rights Issue.
- Board of Directors' recommendation to increase capital through Rights Issue.
- The Extraordinary General Assembly's approval to the offering of shares issued on 28/03/1443H (corresponding to 03/11/2021G).

### Reports, Letters, and Documents

- Underwriting Agreement referred to in Section 11 "**UNDERWRITING**".
- Written approval by the Financial Advisor, Underwriter and Lead Manager (SNB Capital) to list its name and logo in this Prospectus.
- Written approval by the Legal Advisor (Abdulaziz Alajlan & Partners) to include its name and logo in this Prospectus.
- Written approval from Crowe Global / AlAzem, AlSudairy, AlShaikh & Partners CPA's, Al-Kharashi and Co CPA's, PKF Al Bassam & Co, and the Associated Accountants (Hammoud Al-Rubaian and Partner) CPA's, to include their name, logos and statements as certified accountants of the Company for the audited financial statements for the fiscal years ending on December 31, 2018G, 2019G and 2020G, within this Prospectus, and to publish the certified accountants report.

### Financial Statements

The company's audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G.

