



His Royal Highness  
**Prince Mohammad Bin Salman  
Bin Abdulaziz Al-Saud**  
Crown Prince, First Deputy Prime  
Minister And Minister of Defense.



Custodian of the  
Two Holy Mosques  
**King Salman Bin  
Abdulaziz Al-Saud**



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# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I present the 14th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company for the fiscal year ending 31 December 2021.

Year 2021 represented turnaround of the market conditions. Pandemic COVID 19 impact came under control with aggressive vaccination campaign undertaken by Ministry of Health and subsequent gradual reopening of the strict lockdown. Allianz Saudi Fransi also saw a turnaround from the loss making situation of 2020. The company recorded a net profit before surplus, zakat, and income tax for the year ended December 31, 2021.

In 2022, the Company will further focus on profitability and growth while also enhancing the customer experience and digitalization of services and operations. Furthermore, we will continue to develop our multi-distribution channels strategy for both Retail and Corporate Customers.

Development and empowering our employees are an essential part of our strategy to reinforce the culture of the Company where people and performance matter without excluding anyone.

I express my sincere gratitude to all of our employees and distribution partners for this outstanding achievement. I remain convinced that a motivated and well-qualified workforce is of utmost importance and the basis for our success. Likewise, the positive results of our annual Allianz Engagement Survey show that our employees continue to value Allianz Saudi Fransi as an attractive employer.

I would also like to express my deepest gratitude to the Custodian of the Two Holy Mosques King Salman Bin Abdul Aziz Al Saud and his Crown Prince Mohammad Bin Salman Al Saud for their continuous support to the Insurance Industry. I would also like to thank the Saudi Central Bank, the Council of Cooperative Health Insurance, the Capital Market Authority, and the Ministry of Commerce. I take this opportunity to thank the Board of Directors, the Management, and the Staff for their support and dedication.

**Al Waleed Abdulrazak Al Dryaan**  
Chairman

# The Board of Directors' Report

The Board of Directors (BOD) of Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's 14th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2021.

Following is a presentation of the most significant developments, operational activities and financial results:

## 1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company is a joint-stock company, founded upon the decision of the Council of Ministers No. 233 dated 16 /9/ 1427 H, 9th October 2006 and the Royal Decree No. 60/M dated 18 /09/ 1427 H, 11th October 2006.

The initial authorized and issued capital of the Company was SAR 100 million. In April 2010, the Company increased its capital through the rights issue. The share capital of the Company became SAR 200 million consisting of 20 million shares. In July 2020, the Company increased its capital again through the rights issue. The share capital of the Company became 600 million consisting of 60 million shares. The ownership of Allianz Saudi Fransi's shares as of 31st December 2021 is as follows:

- 18.50% Allianz Europe B.V
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- 14.00% Banque Saudi Fransi (BSF)
- Within the remaining 35% public shareholders, the following owns more than 1% share
  - 1.55% Saleh Abdullah Hamad Al Malik
  - 1.29% Abdulmohsen Abdulaziz Al Hokair Holding Group
  - 1.24% Saad Ali Mohammed Alesa
  - 1.10% Sami Ibrahim Mohammed Al Amri
  - 1.05% Nahedh Mohammed Hamad Al Jabr

The Company has received its operational license (Ref: TMN/11/ 20083) from the Saudi Central Bank (SAMA) on 30 /02/ 1429 H, 8th March 2008 and has successfully renewed it on 30 /02 /1432 H– 5th February 2011 on 29 /02 /1435 H - 1st January 2014 and on 28 /02 /1438 corresponding to 28th November 2016 and on 28 /02 /1441 corresponding to 28th October 2019 for a period of another 3 years.

## 2. The Company's Vision, Mission, Strategy & Values

### Our Vision is

To be amongst top Saudi Insurers with global expertise and local insight, providing world class products and services in all lines of business, with nationwide reach using diverse channels of distribution, through highly trained and motivated employees.

### Our Mission Statement is

Create Trust – Deliver Excellence

### Our Values are

Expertise, Integrity and Sustainability.

### Our Strategy is

To provide insurance solutions in all lines of business through three axes of development:

- Banque Saudi Fransi: to provide Retail and Corporate Bancassurance products.
- Direct Sales Force: to provide individual insurance solutions.
- Selected brokers and dedicated account executives: to provide comprehensive solutions for corporate customers.

The Company will keep investing strongly to develop those distribution channels with the aim to further develop its market position in Property, Casualty and Health Business as well as in Protection and Savings products.



### 3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments:

#### 2006

##### October

The founders received the authorization to establish the Company as per Royal Decree No. 60/M

#### 2007

##### March

The Company went public through an Initial Public Offering

##### June

The Constituting General Assembly was held

#### 2008

##### March

The Operational License from SAMA (Ref: TMN/11/20083) was obtained

##### September

The Company moved to the New Head Office in Riyadh and received its first products' approval

##### November

SAMA approved the transfer of Insaudi portfolio subject to no goodwill

#### 2009

##### January

Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009

##### March

The individual Protection & Savings products approvals were received

##### November

Banque Saudi Fransi Bancassurance Protection & Savings products approvals are received

#### 2010

##### April

The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million

##### November

BSF Bancassurance Portfolio transfer was completed

#### 2011

##### February

The Company renewed its operational license from SAMA (Ref: TMN/1120083/) for another 3 years

##### June

The Company launched the Sharia Compliant Protection & Savings "Gold" Products

#### 2012

##### January

The Company restructured its Direct Sales Force for Retail Business as well as its branches

##### August

The Company restructured its Corporate Sales Force to better serve corporate and commercial customers

#### 2013

##### January

Launched common workflow platform for all Sales Channels including Sales Support function

##### August

Xavier Denys succeeded Antoine Issa as Chief Executive Officer

#### 2014

##### January

The Company obtained from SAMA the renewal of its operational license for 3 years

##### May

Mr. Ammar Al Khudairy appointed as new Chairman of the Company

##### September

D&O Liability and Medical Malpractice Insurance Products approved by SAMA

##### November

Mr. Oliver Bäte, Future CEO of Allianz SE (Effective 7th of May 2015) visited the company

#### 2015

##### September

Mr. Sergio Balbinot, Member of Allianz SE Board of Management, Insurance Western & Southern Europe, Middle East, Africa, India visited the company

##### October

The Company obtained from SAMA the Visitor insurance product approval. Claims Workflow launched in the H.O. and Branches

##### November

Launching the new strategic initiatives (Renewal Agenda)

##### December

The Company achieved the highest Net Profit - before zakat and tax since the establishment

#### 2016

##### February

Renewal Agenda official kick off and announcement to employees

##### February

The Company participated in the Janadriyah Festival as part of the German Guest of Honor Pavilion

##### November

The Company obtained from SAMA the renewal of its operational license for 3 years.

##### December

Full Fledged Customer Call Center launched.





## 2017

### March

The Company opened Travel Insurance Points of Sale at the VFS Centers in Riyadh, Jeddah and Khobar

### September

Fast Quote online Motor Quotation Tool launched.

### October

Allianz Group reached an agreement with Bank Saudi Fransi to purchase an 18.5% shareholding in Allianz Saudi Fransi from the Bank.

## 2018

### March

Eng. Alwaleed Al Dryaan appointed as Chairman of the Board of Directors.

### March

Allianz Group completed an agreement with Bank Saudi Fransi to purchase an 18.5% shareholding in Allianz Saudi Fransi from the Bank.

### June

The Board recommends to increase capital through rights issue with a total value of SAR 400Mn

### November

The Company obtained SAMA's non-objection to proceed with the Rights Issue.

### November

The company announces the resignation of Mr. Xavier Denys and the appointment of Mr. Andreas Brunner as CEO of the company with an effective date 1st January 2019

## 2019

### January

Andreas Brunner succeeded Xavier Denys as Chief Executive Officer

### October

The Company obtained from SAMA the renewal of its operation license for three years.

### November

Mr. Niran Peiris, Member of the Board of Management of Allianz SE, Global Insurance Lines & Anglo Markets, Reinsurance, Middle East, Africa, visited the Company.

### November

Online TPL Insurance Portal Launched

## 2020

### July

The Company completes its Capital Increase through Rights Issue and the new Capital becomes SAR 600 Million

### December

The Company launches its Visit Visa Travel Insurance product

## 2021

### May

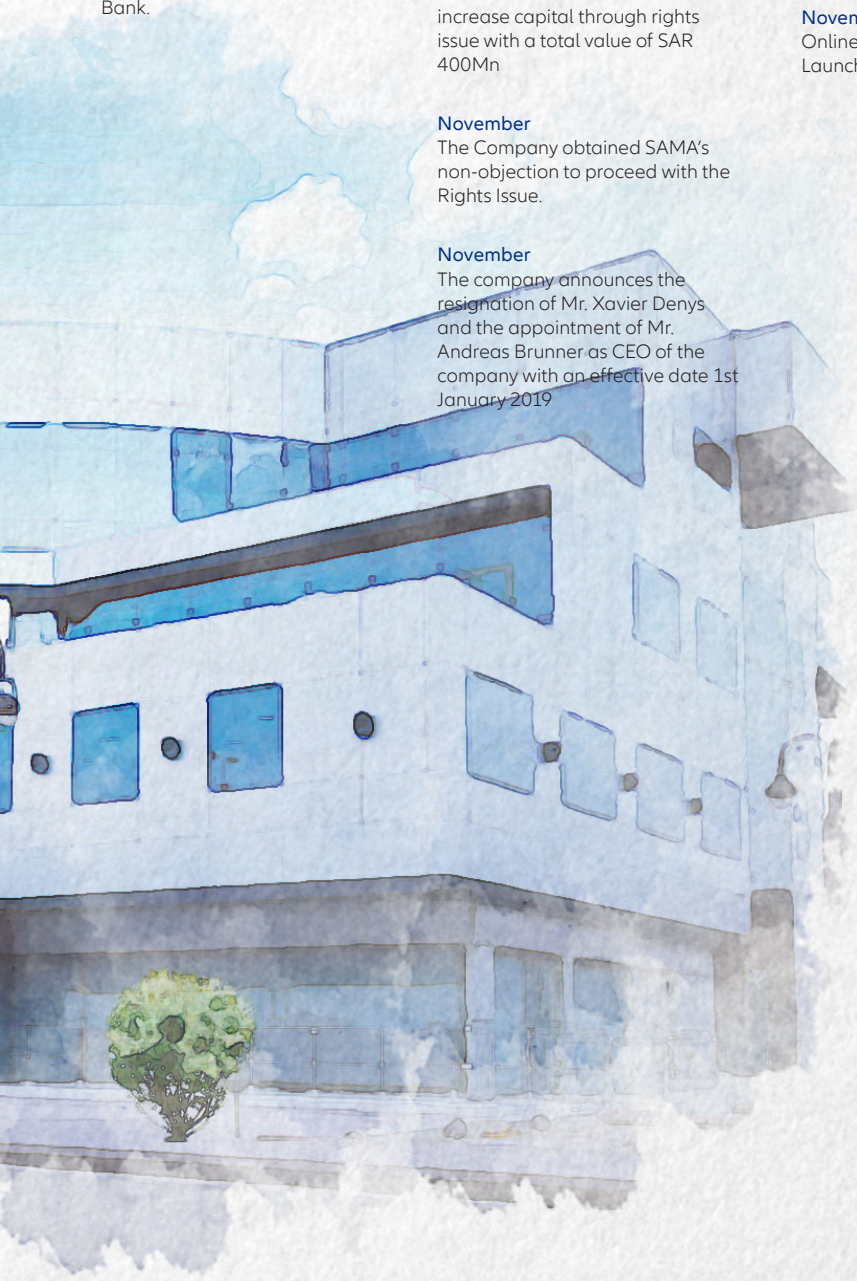
Anuj Agarwal succeeded Andreas Bruner as Chief Executive Officer

### September

Customer Mobile App launched

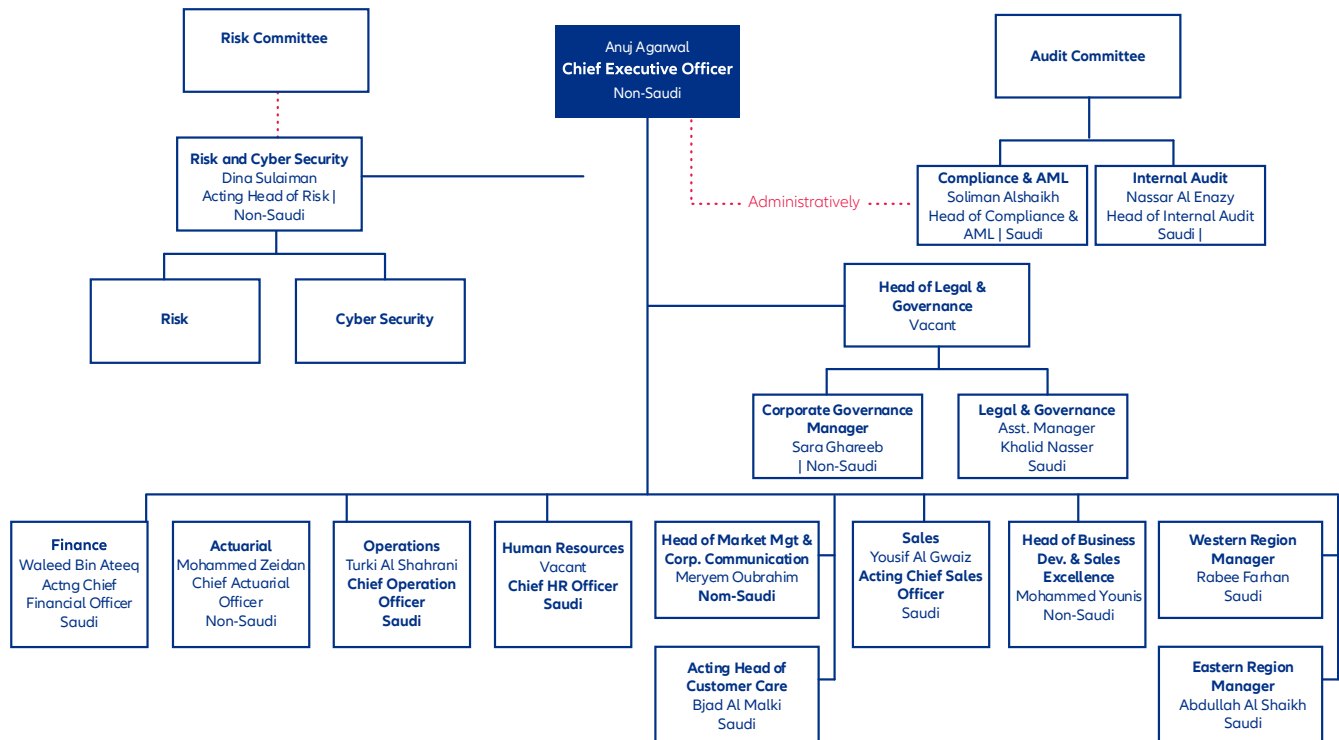
### December

Extraordinary General Assembly approved the new Company By-law.



## 4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2021 is shown here below:



## 5. Top Management

The members of the Top Management of the Company as of 31st December 2021 are:

Name	Position	Year of Birth	Latest Degree	Previous Experience
Anuj Agarwal	Chief Executive Officer	1971	Masters of Management Studies	Worked in similar leadership positions within Allianz Group
Turki Al Shahrani	Chief Operations Officer	1983	Master of insurance and Risk management	Worked in similar leadership positions.
Mohamed Zeidan	Chief Actuarial Officer	1985	Bachelor of Actuarial Science	More than 15 years of experience in insurance and reinsurance.
Waleed Bin Ateeq	Acting Chief Financial Officer	1983	Master of finance	More than 15 years' experience in finance insurance.
Yousif Al Qwaiz	Acting Chief Sales Officer	1981	High Schools Diploma	More than 15 years' experience in finance insurance.

## 6. Human Resources

As part of our Renewal Agenda, we introduced the Inclusive Meritocracy initiative to re-enforce a culture where both people and performance matter. We foster knowledge and strive for excellence at every point with the customer. Thus we must empower our employees and provide them with purpose and direction, encouraging them to take the initiative to improve our customer experience and move forward in their careers. In 2021 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2021, the percentage of Saudi nationals within the company represented 64%.



## 7. Geographical Presence

Our geographical presence in the Kingdom of Saudi Arabia is shown here below:

Office	Address	Telephone & Fax	
<b>Riyadh Head Office &amp; Riyadh Branch</b>	Al Safwa Commercial Building, Khorais Road, Al Khaleej Bridge, Malaz District, P.O. Box 3540, Riyadh 11481	Tel: +966 (11) 821 3000 Tel: +966 (11) 920028727 Toll Free: 800301001 Fax: +966 (11) 821 3999	
<b>Jeddah Regional Office</b>	Ibrahim Juffali Street (intersection with Tahlia Street), Andalus District, P.O. Box 122901, Jeddah 21332	Tel: +966 (12) 283 0228 Fax: +966 (12) 283 0718	
<b>Khobar Branch (Corporate Sales &amp; Claims)</b>	7553 Ibn Ash Shwkani Ar Rakah Al Janubiyah Dist. Unit No 886 Al Khobar 34226 - 4785 . Kingdom of Saudi Arabia	Tel: +966 (13) 898 2671 Fax: +966 (13) 898 2646	
<b>Hassa Branch (Retail Sales &amp; Claims)</b>	Al Harshan Tower, 1st Floor,, Al Dhahran Street, Al Mubarraz, Al Shroufiyah District P.O. Box 3996, Dammam 31429	Tel: +966 (13) 531 4521 Fax: +966 (13) 582 8118	
<b>Dammam Branch (Retail Sales)</b>	Reviera Building, Al Khaleej Road, P.O. Box 36622, Dammam 31429	Tel: +966 (13) 802 0385 Fax: +966 (13) 802 0392	
<b>Madinah Branch (Retail Sales &amp; Claims)</b>	AlDiola Building, King Abdul Aziz Road P.O. Box 501, Madinah 41421	Tel: +966 (14) 834 0627 Fax: +966 (14) 834 3788	

## 8. The Company's Products and Services

Allianz Saudi Fransi provides comprehensive insurance services to corporate and individual customers. With the General line of business (Property and Casualty insurance), Allianz Saudi Fransi embraces the entire spectrum of risk management supported by a diversified range of insurance products for corporate and individual customers. With the Protection, Savings and Health insurances, the company plays a leading role in the field of Employee Benefits schemes as well as in retail with Health, Retirement and Education savings plans.

The Company provides corporate and individual solutions as listed hereunder:

Corporate Solutions	Individual Solutions	Bancassurance Solutions
<b>Employee Benefits</b>	<b>Protection &amp; Savings</b>	<b>Protection &amp; Savings</b>
Group Protection & Health	Waad Al Ousra Gold (Protection)	Al Anjal (Education)
Workmen Compensation	Waad Al Ajyal Gold (Education)	Al Ghad (Retirement)
Group Personal Accidents (PA)	Waad Al Isteqrar Gold (Retirement)	<b>Protection &amp; Savings (Takaful)</b>
<b>Engineering</b>	<b>Property, Casualty &amp; Health</b>	Takaful Al Anjal (Education)
Contractors All Risks (CAR)	ASF Property & House Occupants	Takaful Al Ghad (Retirement)
Erection All Risks (EAR)	Comprehensive	<b>Property, Casualty &amp; Health</b>
Machinery Breakdown	ASF Motor	<b>Comprehensive Motor Insurance</b>
Electronic Equipment	ASF Health	<b>Third Party Liability Motor Insurance</b>
Boiler Pressure & Vessel	ASF Personal Accident	<b>Travel Insurance</b>
Contractors Plant & Machinery	ASF Travel	
<b>Property &amp; Casualty</b>		
Property All Risks		
Fire, Theft, Money		
Sabotage and Terrorism		
Motor Fleet		
<b>Liability</b>		
<b>Fidelity Guarantee</b>		
<b>Comprehensive Crime</b>		
Third Party Liability		
Public & Product Liability		
Public Liability		
Bankers Blanket Bond and Electronic and Computer Crime		
<b>Marine &amp; Cargo</b>		
<b>Credit Insurance</b>		
<b>D&amp;O Insurance</b>		
<b>Medical Malpractice Insurance</b>		

## 9. Financial Highlights

### a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 674.7 Million for the twelve months ended December 2020 against SAR 1011.7 Million for the twelve months ended December 2019 showing a decrease of 33.3%. The split per line of business is as follows:

SAR Million	2021	2020	2019	2018	2017
■ Property, Casualty & Health:	618.7	548.8	892.9	752.2	788.9
a) Motor:	189.3	181.9	469.1	397	428.1
b) Engineering:	87.2	48.8	41.5	52.3	50.4
c) Medical:	199.1	176.3	190.2	110.9	104.4
d) Other General:	143.1	141.8	192.2	192	206
■ Protection & Savings:	144.3	125.9	118.7	118.5	136.6
Total GWP:	763.0	674.7	1,011.6	870.7	925.5

Gross Written Premiums in property, casualty and health increased by 12.7% compared to 2020. This was driven by the increase in Engineering business and Medical Business of 27.2% and in Motor Business of 4.1% and in Other General Business of 0.9%. Protection & Savings Gross Written Premiums are showing a growth of 14.6% compared to 2020.

Although all the premiums are booked in the Head Office in Riyadh, the sales process is decentralized in the various offices in the Kingdom of Saudi Arabia.

The volumes generated in each region are summarized below:

SAR Million	2021	2020	2019	2018	2017
Central Region:	527.9	447.1	727.4	616.7	684.7
Western Region:	135.5	107.7	141.7	105.0	135.3
Eastern Region:	99.7	119.8	142.5	149.0	105.5
Total GWP:	763.1	674.6	1011.6	870.7	925.5

### b) Net Premiums Earned

The Net Premiums Earned calculated after deducting the premiums ceded to reinsurers and the reserves for unearned premiums, amounted to SAR 417.8 Million for the year ended December 2021 against SAR 519.3 Million for the year ended December 2020.

As a result of the decline in the changes in unearned premiums, the net earned premium decreased by 19.5% in 2021 compared to the previous year.

### c) Reinsurance Commissions

Reinsurance commissions amounted to SAR 4.9 Million compared to SAR 9.8 Million and showed a decrease of 50.4%.

### d) Net Claims and Other Benefits Incurred

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (316.8) Million for the twelve months ended December 2021 against SAR (394.9) Million for the twelve months ended December 2020, representing a decrease of 19.8%.

### e) Unrealized Gain on Unit-Linked Investment

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 45.3 Million for the twelve months ended December 2021 against SAR 14.2 Million in 2020. The market fluctuations of the underlying funds causes the unrealized gains/losses.

### f) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR 8.2 Million for the twelve months ended December 2021 against SAR 17.3 Million in 2020 due to the net impact of written premiums, Surrenders and revaluation of Unit Link Investments.

#### g) Policy Acquisition Costs

The commissions paid to producers (policy acquisition costs) amounted to (37.7) Million compared to (55.1) Million showing a decrease of 31.6%.

#### h) General Expenses

The Company has incurred during 2021 insurance operations expenses of SAR (114.5) Million, against insurance operations expenses of SAR (135.3) Million during 2020.

In addition, the Company incurred during 2021 inspection expenses of SAR (6.1) Million compared to SAR (5.1) Million in 2020. The inspection expenses are influenced by the level of business booked during the year.

Also, the Company incurred during 2021 provision of doubtful debts of SAR (4.3) Million compared to SAR (3.3) Million in 2020.

#### i) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2021 are summarized here below.

SAR Million	2021	2020	2019	2018	2017
Cash & cash equivalents:	161.0	325.0	148.9	93.1	133.3
Sukuk/Funds:	546.7	398.2	379.1	328.2	305.8
Subscription in Najm & NextCare Companies	3.2	3.2	3.2	3.2	3.2
Saudi Aramco	3.1	3.1	3.1	-	-
Held to maturity			-	-	-

The investment income excluding unrealized gain on investments from unit-linked Protection & Savings products and excluding Other Operational Income amounted to SAR 15.0 Million as of December 2021 against SAR 11.4 Million as of December 2020.

#### j) Other Income

Other Income in 2021 amounting to SAR 7.7 Million vs. SAR 5.1 Million in 2020.

#### k) Net Income from insurance operations (Operating Results)

The technical result before shareholder investment income and before shareholder general expenses is showing a Net surplus of SAR 8.7 Million for the twelve months ended December 2021 against a Net deficit of SAR (24.1) Million for the twelve months ended December 2020, representing an increase by 135.9%.

Note: The operating result announced on Tadawul represents the operating results explained above and amounting to SAR 8.7 Million, minus the fair value change in policyholders' unit-linked investments amounting to SAR 36.4 Million, and Insurance Operations' investment income amounting to SAR 4.1 Million in 2021.

This is done only to comply with the announcement requirements on Tadawul and does not reflect the actual operating results.

#### l) Net Income before Zakat and Tax

The result for the twelve months ended 31st December 2021 is a Net income before zakat & tax of SAR 16.5 Million against a Net loss of SAR 17.6 Million after distribution of 10% of the Net Surplus from insurance operations amounting to SAR 0.9 Million for the twelve months ended 31st December 2021. The increase in net profit before zakat is mainly due to the decrease in Net claims and other benefits incurred by 19.8% (SAR 316.8Mn vs. SAR 394.9Mn).

#### m) Assets

The total assets of the Company as of 31st December 2021 amounted to SAR 2,574.5 Million divided as follows:

SAR Million	2021	2020	2019	2018	2017
Insurance Operations' Assets	1,857.2	1,911.7	1,977.1	1,790.6	1,744.0
Shareholders' Assets	726.1	720.2	357.1	306.6	273.6

#### n) Shareholder's Equity

The Shareholder's Equity as of 31st December 2021 amounted to SAR 702.7 Million, split as follows:

SAR Million	2021	2020	2019	2018	2017
Share Capital	600.0	600.0	200.0	200.0	200.0
Retained Earnings (Accumulated Losses)	52.2	47.7	75.0	49.6	19.9
Statutory Reserve	21.9	20.7	20.7	14.4	7.0
Other Reserves	28.1	33.1	31.0	17.3	24.2
Total:	702.2	701.5	326.7	281.3	251.1

#### o) Profit Distribution Strategy

As stated in the articles of association of the Company, article 44, shareholder's profits shall be distributed in the following way:

- Zakat & Tax allocations are to be withheld.
- As per bylaws of the Company, the Company shall allocate 20% of the Net Income of each period to the statutory reserve.
- The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up reserves allocated for specific purposes.
- The remainder shall be distributed to shareholders as share profits or to be transferred to retained profits account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

As a cooperative insurance company, Allianz Saudi Fransi distributes on a yearly basis 10% of the annual Net Surplus arising from its insurance operation to the policyholders in accordance with the rules and regulations applicable to cooperative insurance companies. This 10% of Net Surplus, if any, is calculated at the end of each fiscal year, audited, and distributed upon approval of the Saudi Central Bank (SAMA).



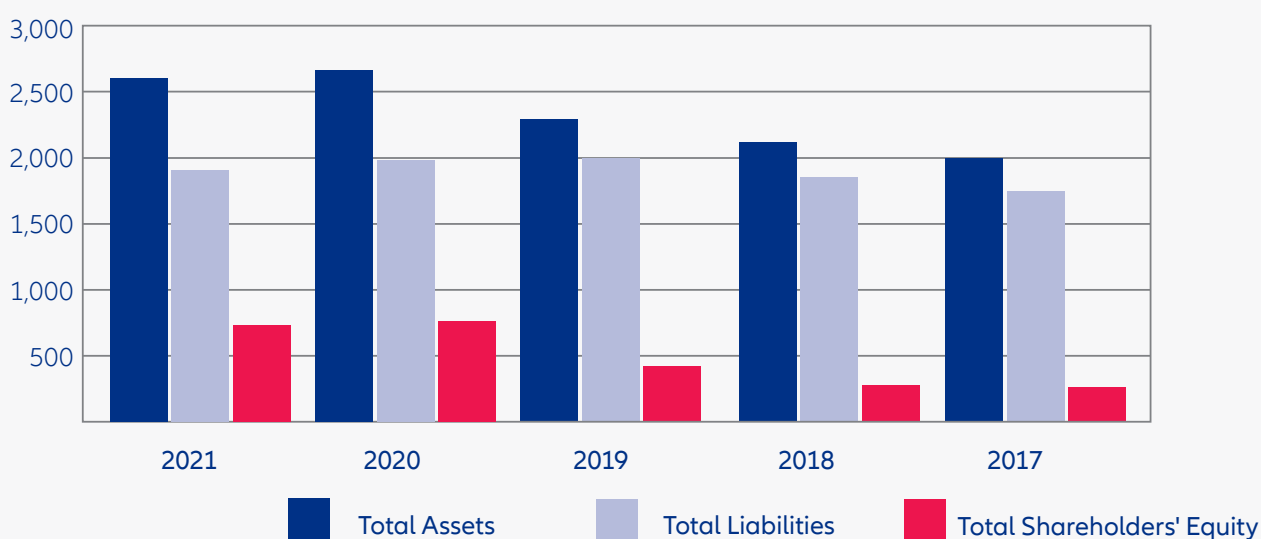
## p) Financial highlights

The following is a summary of the most important indicators for the past five years:

SAR Million	2021	2020	2019	2018	2017
Gross Written Premium	763.1	674.7	1011.7	870.7	925.5
Net Premium Earned	417.8	519.3	685.4	601.1	639.3
Reinsurance Commission	4.9	9.8	17.2	16.6	25.7
Net Claims and other benefits incurred	(316.8)	(394.9)	(515.9)	(459.8)	(504.7)
Unrealized gain on UL	45.3	14.2	19.7	17.0	16.6
Mathematical Reserve Change	8.2	17.3	22.3	15.3	20.7
Policy acquisition costs	(37.7)	(55.1)	(65.1)	(54.2)	(57.9)
General Expenses Insurance operations (including Inspection and Supervision Fees)	(122.9)	(141.5)	(130.3)	(104.4)	(100.4)
Provision of doubtful debts	(4.3)	(3.3)	(3.0)	(5.6)	(11.9)
Investment income	15.0	11.4	10.4	10.8	7.9
Other Income	7.7	5.1	5.0	3.8	3.0
Net Income for the year before surplus, Zakat and income tax	17.4	(17.6)	45.6	40.5	38.3
Surplus attributed to insurance operations	(0.9)	-	(4.0)	(3.4)	(3.4)
Net income before Zakat and Income Tax	16.5	(17.6)	41.6	37.1	35.0

Balance Sheet "SAR Million"	2021	2020	2019	2018	2017
Total Assets	2,583.3	2,631.9	2,334.2	2,097.1	2,017.6
Total Liabilities	1,872.0	1,917.2	1,999.7	1,820.2	1,768.2
Total Shareholders' Equity	702.1	714.7	334.5	276.9	249.4

## Balance Sheet (SAR Million)



## 10. Corporate Governance, Regulations & Committees

### a) Compliance with Corporate Governance

In 2021, Allianz Saudi Fransi was in full compliance with the CMA corporate governance regulations, Insurance Corporate Governance regulations issued by SAMA, and other guidelines except for the following issues- where the company has paid penalty for noncompliance:

- 200,000 SAR enforcement resolution from SAMA during March 22 for Violation of the supervisory instructions of the Central Bank. Regarding non-compliance with regulations related to BCL/Compliance/and Finance.
- 40,000 SAR enforcement resolution from SAMA during May 18 for Violation of the supervisory instructions of the Central Bank. Regarding dealing with a broker/re insurance company with an expired license.
- 27,697 SAR enforcement resolution from SAMA during August 10 for Violation of the supervisory fees. Regarding Delay in paying supervisory fees.
- 420,000 SAR enforcement resolution from SAMA during Sep 20 for Violation of the Central Bank's instructions regarding due diligence in combating money laundering and terrorist financing.

Note that, the company in agreement and cooperation with the Executive Management has put in place a corrective action plan and enhanced the internal controls in regards to the above SAMA resolutions.

Certain paragraphs from the CMA regulations (listed below), are not applicable and accordingly no further disclosure is required on the related topics:

- Article 43 of the listing rules paragraphs (7),(8),(13),(14),(15), and (19)
- Article 6 of the Corporate Governance Regulations paragraph (d)

## Board of Directors

Name of the Board Members	No. of Shares beginning of year*	No. of Shares end of year*	Change in No. of Shares	Board Member	Rep.	Member Classification
Alwaleed Al Dryaan	1,000	1,000	Nil	<ul style="list-style-type: none"> <li>Al Khaleej Training and Education</li> <li>Al Enayah Medical Co.</li> <li>Saudi Telecom Co.</li> <li>Malaz Capital Co.</li> <li>Arabian Cement Co</li> </ul>	Allianz entities	Non-Executive
Qualification: B.S & M.S Electrical Engineering			Experience: MD of Al Khaleej Traning Egypt - MD of Fast Lane Co. - Chairman of Online Trading Academy Dubai - Chairman of Franklin Covey Co. Dubai			
Abdullah Al-Hussaini	1,000	1,000	Nil	<ul style="list-style-type: none"> <li>Saudi Advanced Industries Co.</li> <li>Deutsch Gulf Finance Co.</li> </ul>	Public	Independent
Qualification: PhD in Accounting			Experience: Dean of Student Affairs - Financial Manager - Financial Advisor - Financial Accountant and internal auditor			
Mazen AlTamimi	Nil	Nil	Nil	<ul style="list-style-type: none"> <li>Saudi Fransi Leasing Co. (Member until 31/12/2019).</li> <li>Saudi Fransi Capital Co. (Member until 31/12/2021).</li> </ul>	Banque Saudi Fransi	Non Executive
Qualification: B.S Computer Science			Experience: •Senior Executive Director (Banque Saudi Fransi) - Western Region Manager (Banque Saudi Fransi)			
Anuj Agarwal (From 23/09/2021)	Nil	Nil	Nil	Nil	Allianz entities	Executive
Qualification: M.S. Management Studies (Finance) B.S. Engineering (Electronics & Communications)			Experience: •Chief Executive Officer of Allianz Saudi Fransi Regional Chief Financial Officer and Member of Board of Management (Allianz SE Africa) Managing Director and Chief Executive Officer (Allianz SE Africa) •Chief Financial Officer (Allianz Egypt)			
Andreas Brunner (Until 31/08/2021)	Nil	Nil	Nil	Nil	Allianz entities	Executive
Qualification: M.S. Politics, Law, and Psychology B.S. Management Technology			Experience: • Chief Executive Officer of Allianz Saudi Fransi • Partner & Member of Executive Leadership Team (Allianz SE) • Executive Assistant & Senior Project Manager (Allianz SE)			
Kamel Al Munajjed	Nil	Nil	Nil	<ul style="list-style-type: none"> <li>Tanmiah Food Group</li> </ul>	Public	Independent
Qualification: M.S. Business Administration B.S. Electrical Engineering			Experience: • General Manager of Urjuan Real Estate Development • Vice President (Almunajem) • Head of Investment & Private Banking (Banque Saudi Fransi)			
Basil Bin Jbr	Nil	Nil	Nil	<ul style="list-style-type: none"> <li>Taiba Investment Co.</li> <li>Tayseer Finance Co.</li> <li>Jarir Marketing Co.</li> </ul>	Public	Independent
Qualification: M.S. Business Administration B.S. Business Administration			Experience: • Vice-President of Development Affairs (Bin Laden Group) • President of Interactive Saudi Arabia Ltd.			
Herve Gloaguen	Nil	Nil	Nil	Nil	Allianz entities	Non-Executive
Qualification: Executive Program Grand Ecole (Accounting)			Experience: • Global Head of Internal Audit of the Allianz Group • Member of the Board of Management of Allianz France • Head of Internal Audit of AGF Group • Deputy CEO of Banque AGF			
Antoine Issa	Nil	Nil	Nil	Nil	Allianz entities	Non Executive
Qualification: M.S. Finance - M.S. Engineering			Experience: •Allianz MENA CEO • Allianz SNA Chairman • Allianz Egypt Chairman • Allianz SF CEO			
Amine Benabbou	Nil	Nil	Nil	Nil	Allianz entities	Non-Executive
Qualification: Master degree in Industrial Engineering and specialized master in Financial Engineering			Experience: •Head of Business Division Africa & MENA at Allianz SE •Investment Director Fipar Holding (Morocco) •Senior associate BMCE Capital Conseil (Morocco)			

\*Owned by Board of Directors, their spouses or their children in Allianz Saudi Fransi.

Members of the Top Management		A. Agarwal	W. Bin Ateeq	M. Zeidan	T. Al Shahrani	Y. Alqwaiz
Number of Shares*	beginning of year	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil

## BOD Responsibilities

Without prejudice to the competencies of the General Assembly, the Board shall have the broadest powers in managing the Company and guiding its activities to achieve its objectives.

The Board of Directors is ultimately responsible for the policies and management of the Company.

The Board of Directors approves strategic, accounting, organizational, and financing policies adopted by the Company as well as strategic plans and major transactions. Its responsibilities include the appointment and appropriate succession planning of executive officers and authorized signatories of the Company, in addition to supervision over the Company's management and performance.

The Board of Directors also ensures the integrity of the accounting and financial reporting as well as the appropriateness of its disclosure.

It promotes high standards of Corporate Governance and ensures compliance with applicable laws and regulation. It ensures that the interest of the policyholders is always protected. The Board of Directors is also entrusted with organizing the Shareholders' meetings and carrying out Shareholders' resolutions.

The Board of Directors shall also review and approve on annual or periodic basis the policies and procedures of the Company. The Board shall also assess the performance of the Board Committees on periodic basis.

## 1. The major duties and responsibilities of the Board of Directors are highlighted as follows:

### Relation with Stakeholders

- Representing the Company and acting on its behalf before others whether it is a private or public party. Those may include but are not limited to the following parties within or outside the Kingdom of Saudi Arabia (KSA).
  - Ministries and Governmental agencies.
  - Financial institutes.
  - All kind of courts and judicial parties.
  - Capital Market Authority (CMA)
  - Customs offices.
  - Police Departments.
  - Civil Affairs departments.
  - Etc.
- Ensure that systems are in place for communication and relations with stakeholder including the mentioned above, monitor system effectiveness and significant sensitive and legally required communications.
- Develop and adopt mechanisms for indemnifying the Company stakeholders in case of contravening their rights under the law and their respective contracts. Noting that the members of the Board, who had committed a mistake that harmed the interests of the shareholders and which resulted in a profit to them, shall return to the company all the profits they have gained from this mistake.
- Discuss any comment raised by any shareholder regarding the company and its performance. Such discussion must be minuted and circulated to all Board Members.
- Preparing the Board Report and approving it before publishing it to the shareholders and CMA, addressing the following as a minimum:
  - A description of the principal activities of the Company. If two or more activities are described, a statement must be included giving for each activity the turnover and contribution to trading results attributable to it;
  - A description of the Company's significant plans and decisions (including any restructuring, business expansion or discontinuance of operations of the Company), the future prospects of the Company's business and any risks facing the Company;
  - A summary, in the form of a table or a chart, of the assets and liabilities of the Company and of the Company's business results for the last five financial years or from incorporation, whichever is shorter;
  - A geographical analysis of the Company's gross revenues;
  - An explanation for any material differences in the operating results of the previous year or any announced forecast



made by the Company;

- An explanation for any departure from the accounting and financial reporting standards;
- A description of the Company's dividend policy;
- A description of any interest in a class of voting shares held by persons (other than the Company's Directors, senior executives and their relatives) that have notified the Company of their holdings together with any change to such interests during the last financial year;
- A description of any interest, contractually based securities, and subscription rights of the Company's Directors, senior executives and their relatives in the shares or debt instruments of the Company, together with any change to such interest or rights during the last financial year;
- Information relating to any borrowings of the Company (whether repayable on demand or otherwise), and a statement of the aggregate indebtedness of the Company together with any amounts paid by the Company as a repayment of loans during the year. In case there are no loans outstanding for the Company, it must provide an appropriate statement;
- The number of meetings of the Directors held during the last financial year and the attendance record of each meeting listing names of the attendees;
- A description of any transaction between the Company and any related party;
- Information relating to any businesses or contract to which the Company is a party and in which a board Director of the Company, the CEO, COO, CFO or any person related to any of them is or was interested, or if there are no such businesses or contracts, the Company must submit an appropriate statement;
- A description of any arrangement or agreement under which a Director or a senior executive of the Company has waived any salary or compensation;
- A description of any arrangement or agreement under which a shareholder of the Company has waived any rights to dividends;
- A statement of the value of any outstanding statutory payment on account of any zakat, taxes, fees or any other charges with a brief description and the reasons therefore;
- A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Company;
- Declaration that:
  - Proper books of account have been maintained;
  - The system of internal control is sound in design and has been effectively implemented; and
  - There are no significant doubts concerning the Company's ability to continue as a going concern; if any of the statements above cannot be made, the report must contain a statement clarifying the reasons thereof.
- If the external auditor's report containing reservations or the relevant annual financial statements is qualified, the Directors report must include such qualifications, its reasons and any related information.
- If the Directors recommend that the external auditors should be changed before the elapse of the term it is appointed for, the report must contain a statement to that effect and the reasons for such recommendation;
- Names of any joint stock company or companies in which the company Board of Directors member acts as a member of its Board of Directors.
- Formation of the Board of Directors and classification of its members as follows: executive board member, non-executive board member, or independent board member.
- A brief description of the jurisdictions and duties of the Board's main committees such as the Audit, Risk, & Compliance Committee, the Governance, Nomination & Remuneration Committee, Executive & Investment Committee; indicating their names, names of their chairmen, names of their members, and the aggregate of their respective meetings.
- Details of compensation and remuneration paid to each of the following:
  - The Chairman and members of the Board of Directors.
  - The Top Five executives who have received the highest compensation and remuneration from the company. The MD, CEO, COO, and CFO shall be included if they are not within the top five.
  - Any punishment or penalty or preventive restriction imposed on the company by the Authority or any other supervisory or regulatory or judiciary body; and,
  - Results of the annual audit of the effectiveness of the internal control procedures of the company.

## 2. Overseeing the Company's Operations

- Determine and control in broad terms the purposes, goals, mission, visions, activities and general characteristics of the Company.

- Strategic Planning & Budgets:
  - Set and approve the Company's strategic business plan proposed by the management and adopt such a plan with such changes, upon annual reviews and assessments, as the Board of Directors deems appropriate;
  - Review and approve the Company operational plans, financial plans and budgets proposed by the management and adopt the same with such changes as the Board of Directors deems appropriate;
  - In connection with such reviews, the Board of Directors shall seek to provide a balance of long-term versus short-term orientation of the Company strategic and operational plans; and
  - Review corporate performance against strategic plan, operations plans, financial, budget plans and peers performance.
- Hiring and dismissal of the CEO, planning for his succession.
- Ensure that senior officers are achieving acceptable current financial results relative to corporate objectives, budgets, and the economic environment, and are developing the resources necessary for future success. These resources include:
  - Management competence, organization, and depth;
  - Fixed assets;
  - Marketing capability – Customer loyalty, distribution organization, and market knowledge;
  - Work force and employee relations;
  - Financial resources, including relations with the financial community; and
  - Reputation and relations with various regulators.
- Establish an overall compensation policy, based on a recommendation from the Governance, Nomination & Remuneration Committee, for the Company and monitor its implementation with special attention devoted to the senior officers. Review the policy from time to time to ensure that it continues to be appropriate and in line with better practices.
- Oversee corporate financial operations, including:
  - Capital structure management, maintaining reasonable financial flexibility and safety while achieving an appropriate return on equity;
  - Reviewing the Company's interim and annual financial statements to ensure sufficiency and reliability of applied financial reporting controls, and approving them before publishing them;
  - Allocation of Company assets;
  - Maintaining access to suitable sources of new capital;
  - Indemnity, social security and other major employee benefit programs;
  - Dividend pay-out policy and action; and
  - Propose selection of external auditors for approval by the General Assembly.
- Maintenance of Systems Integrity:
  - Reviewing the effectiveness of the Company's internal control procedures on an annual by obtaining a report from and confirming with the Audit, Risk, & Compliance Committee that it has reviewed and discussed the adequacy of the Company internal controls;
  - Ensure that the Board of Directors has free and full access to management regarding all matters of compliance and performance; and,
  - Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties.
- Oversee the conduct and performance of the Company and its divisions to ensure they are being properly and appropriately managed. To discharge this duty the Board of Directors will give specific and regular attention to:
  - Ensuring setting key performance indicators/objectives for the performance of the Company functions/ departments, and approve the same;
  - Monitoring performance against the strategic and business plans, and key performance indicators;
  - Monitoring performance against peer and competitor companies; and,
  - Enquiring into and following up areas of poor performance and their cause.
- Review and approve material transactions outside of the corporate budget, including but not limited to material licenses, long term contracts or obligations.
- Sell, accept payment on behalf, mortgage, all the Company assets and properties with the following restrictions:
  - Documentation of reasons and purpose of sales;
  - The sale must be at least at market value;
  - Proper guarantee of all sales; and
  - Such sales do not affect the Company operations.
- Enter in and obtain loan agreements from financial institutions.

- Write off bad debts based on the following and in line with the approved authority matrix:
  - Bad debt has aged for over a year at minimum;
  - Write offs can only be performed once per year per debtor and not to exceed 1% of the Company's capital;
  - The total bad debt write off not to exceed SAR 4 million per year; and,
  - Bad debts write off shall not be delegated to anyone else by the Board.

### 3. Risk Management

The Board establishes, oversees and monitors internal controls and risk management framework including the Market Risk (Interest Rate Risk, Equity Risk, Property Risk, Currency Risk, Spread Risk and Liquidity Risk), Counterparty default Risk (Reinsurance, Concentration, Other counterparties and Credit Risk), Non Life Underwriting Risk (Pricing [General], Pricing [Health], Reserving [General], Reserving [Health], Non-Life catastrophe and Lapse), Life Underwriting Risk (Mortality, Longevity, Morbidity & Disability, Lapse, Expense and Catastrophe), Strategic Risk (Business, Market/ Country and Reputational), Operational Risk (Internal fraud, external fraud, HR, Physical Damage, Cyber-attack, System Failure, Data Quality and Process management), Actuarial Outputs Risk (Reserving, Underwriting non-life, Underwriting Life, Reinsurance and Solvency), Oversight Risk (Senior Management, Risk Management, Compliance, Audit, Operational management), Conduct of Business Risk (Product development, Product promotion disclosure & sales, Claims, Complaints and Privacy protection), and Regulatory & AML Risk (Regulatory, AML)

The Board is responsible to ensure the following with the assistance of the management, and Audit, Risk & Compliance:

- Approving the risk appetite statement and levels.
- Identify the principal risks of the Company business and ensure implementation and monitoring of systems to effectively mitigate/manage these risks.
- Implement and ensure that systems are in place to monitor and maintain the integrity of the Company internal controls and information systems.
- Risk Identification and Management:
  - Ensuring the implementation of appropriate control for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company.
  - Instruct management to regularly advise on Company's business risks; and
  - Review and discuss with management such risks and the systems designed to monitor and manage such risks.
  - Oversee the Company's capacity to identify and respond to changes in its economic and operating environments.

### 4. Investment

- The Board of Directors shall be responsible for the approval of the investment policy and activities, taking into account the analysis of the asset/liability relationship, the Company's overall risk tolerance, its long-term risk-return requirements, its liquidity requirements and its solvency position.
- The Board of Directors is also responsible for approving policies on related issues of a more operational nature, including:
  - The criteria for selection of the external investment manager(s).
  - The selection and use of partners and brokers.
  - The nature of custodial arrangements.
  - The methodology and frequency of the performance and investment risk measurement
- The Board of Directors authorizes the investment committee and the senior management to formulate the investment policy, review it and implement the overall investment activities.
- The Board of Directors must also ensure that adequate reporting and internal control systems of the Company are in place, and designed to monitor that assets are being managed in accordance with the investment policy, and legal and regulatory requirements. This should be done by ensuring that:
  - The board receive quarterly information, including feedback from the Company's risk management function, on asset exposures, and the associated risks.
  - The systems provide accurate and timely information on asset risk exposure and are capable of generating ad-hoc requests.
  - Remuneration policies are structured to avoid potential incentives for unauthorized risk taking.
- The Board of Directors must ensure that senior management is in a position to monitor the performance of the external investment manager(s) against Board approved policies and procedures. The Board of Directors should review on an annual base the adequacy of its overall investment policy in the light of the Company's activities, and its overall risk

tolerance, long-term risk return requirements, and solvency position.

## 5. Compliance

The Board is responsible to ensure the following with the assistance of the management, and Audit, Risk & Compliance:

- Ensure existence of appropriate controls and procedures in place for compliance with applicable laws and regulations (SAMA, CMA, Ministry of Commerce & Industry, municipalities, etc.).
- Ensure that the Company has in place appropriate environmental, health and safety policies, having regard to legal, industry and community standards, and ensure implementation of management systems to monitor the effectiveness of those policies.
- Provide leadership and policy direction to the management with a view of establishing and maintaining a high standard of legal and ethical conduct for the Company by:
  - Taking all necessary steps to ensure that the Company complies with applicable laws and regulations, and with its internal regulations, including its Articles of Association, and that it operates to high ethical and moral standards; being alert and sensitive to situations that could be considered illegal, unethical or improper, and taking corrective steps;
  - Establishing the means of monitoring performance in this area with assistance of legal counsel; and
  - Complying with legal requirements, applicable to the Board of Directors, including, without limitation, the duty to act honestly and in good faith with a view to the best interests of the Company and all its shareholders, and the duty to exercise the care, diligence and skill that reasonably prudent people exercise in comparable circumstances.

## 6. Other Board Responsibilities

- Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.
- Manage Board operations, including, without limitation:
  - Ensure adopting a transparent mechanism to orient new Board members on company and Board matters, including demonstrating Company strategy, accomplishments, threats, financial position, and Board working mechanism, in addition to developing briefing material on the same.
  - Influence the structuring of agendas and how meeting time is spent.

## 7. Duties of Individual Members / Directors

### ■ Tasks and Duties of the Board Members

Without prejudice to duties and responsibilities of the Board as a whole each member of the Board shall, being a Board member, perform the following tasks and duties:

- Providing proposals to develop the strategy of the Company;
- Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company;
- Reviewing reports related to the performance of the Company;
- Ensuring the integrity and impartiality of the financial statements and information of the Company;
- Ensuring that the financial control and risk management systems are sound;
- Determining the appropriate level of remunerations of the members of the Executive Management;
- Expressing opinions as to the appointment and dismissal of members of the Executive Management;
- Participating in developing the succession and replacement plans of executive positions within the Company;
- Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs;
- Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the chairman of the Board shall be notified by prior notice, or for emergency reasons;
- Allocating sufficient time to fulfil his/her responsibilities and preparing for the Board and its committees meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives;
- Studying and analysing all information related to the matters looked into by the Board before expressing an opinion on the same;



- Enabling other Board members to express their opinions freely, and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Company's Executive Management and others, when necessary;
- Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest, the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. the concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Company and all shareholders;
- Recognising his/her duties, roles and responsibilities arising from the membership;
- Developing his/her knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields; and
- Resigning from the membership of the Board if he/she is unable to fully fulfil his/her duties in the Board.

#### ■ Tasks and Duties of the Independent Director

Without prejudice to duties and responsibilities of the Board as a whole and other executive / non-executive members, an Independent Director of the Board shall effectively participate in the following duties:

- Expressing his/her independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management.
- Ensuring that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest.
- Overseeing the development of the Company's Corporate Governance rules, and monitoring the implementation of the rules by the Executive Management.

### 8. Matters Reserved for the Board of Directors

There are matters that must be considered by the Board of Directors as a whole and may not be delegated, even to a Committee of the Board of Directors. The Board of Directors reserves the right to review and amend these matters from time to time as considered necessary.

These matters include the following:

- Temporary nomination and Remuneration of Directors (to fill the vacant position) for approval by the General Assembly.
- Appointment of the Chief Executive Officer (CEO) / Managing Director (MD).
- Appointment/resignation and termination and remuneration of the CEO supported with the recommendations of the Governance, Nomination & Remuneration Committee.
- Membership and terms of reference of Board committees (apart from the Audit, Risk, & Compliance, and Governance, Nomination & Remuneration committees).
- Providing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
  - Increasing or decreasing the share capital of the Company; and
  - Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
- Providing recommendation to the Ordinary General Assembly as to what it deems appropriate regarding:
  - Using the consensual reserve of the Company, if such has been formed by the Extraordinary General Assembly and has not been allocated to a specific purpose;
  - Forming additional financial allocations or reserves for the Company; and
  - The method of distributing the net profits of the Company.

- Approving the Company's interim and annual financial statements and approving them before publishing them.
- Annual review and update (if necessary) of the Board of Director's Charter.
- Matters referred to the Board of Directors by Board Committees.
- Approve of the write offs as per the approved authority matrix and the Company's bylaws.
- Approve loans and financing facilities as per the approved authority matrix and the Company's bylaws.
- Conduct the Board annual performance self-assessment relative to the Board purpose, duties, and responsibilities outlined herein as well as those of its individual members.
- Decide upon corporate governance matters relating to the Board of Directors and senior management, and matters of principle regarding corporate governance structure, such as developing/updating the Company's organizational structure and the underlying functional responsibilities as the need arise and which is recommended by the Governance, Nomination, & Remuneration Committee.
- Review prior Board minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Board meetings, in order to ensure that matters raised have been resolved.
- The Board of Directors reserves the right to review and amend this list from time to time as considered necessary.

### c) BOD Meetings

The BOD met six times during the year ended 31st December 2021 with attendance of 92.6%

BOD #	Date	Attendance	Percentage	Percentage with Proxy
72	18/01/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Andreas Brunner, Herve Gloaguen, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr, Amine Benabbou	100.0%	100.0%
73	23/03/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Andreas Brunner, Herve Gloaguen, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr, Amine Benabbou	100.0%	100.0%
Digital Strategy	19/04/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Andreas Brunner, Herve Gloaguen, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr, Amine Benabbou	100.0%	100.0%
74	27/04/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Andreas Brunner, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr, Amine Benabbou	88.8%	88.8%
75	15/06/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Andreas Brunner, Herve Gloaguen, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr	100.0%	100.0%
76	08/10/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Andreas Brunner, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr	88.8%	88.8%
77	10/05/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr	77.7%	77.7%
78	30/10/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Anuj Agarwal, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr	88.8%	88.8%
79	01/11/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Anuj Agarwal, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr	88.8%	88.8%
80	13/12/2021	Alwaleed Al Dryaan, Mazen AlTamimi, Antoine Issa, Anuj Agarwal, Abdullah Al-Hussaini, Kamel Al Munajjed, Basel Binjabr	88.8%	88.8%

The above BOD meetings covered the following major tasks:

- Amend the Bylaws to the extent required to comply with the unified template as issued by the competent government authorities (the Saudi Central Bank)
- Discussed and approved the new SAA as per IC recommendation.
- Approved the financial statements based on the Audit Committee's recommendation.
- Discussed and approved the replacement of Andreas Brunner by Anuj Agarwal to the Board of Directors and applicable Board Committees.
- Recommend to the General Assembly the renewal of the external auditors, PWC and Al Bassam, to review the Financial Statements for Q2 2021, Q3 2021, Q4 2021, full year 2021, and Q1 2022.
- Approved the appointment of Mr. Basel Binjabr as the Chairman of the Investment Committee and Mr. Amine Benabbou as the Chairman of the Risk committee.

- Approved the appointment of Mr. Soliman Al Shaikh as new Head of Compliance.
- Approved the Q2 financial statements based on the Audit Committee's recommendation.
- Approved the assigning of appointed Actuary (SHMA Co.), represented by Mr. Ali Omar Morshed to take over of the appointed Actuary's tasks and responsibilities for the Company.
- Approved the percentage of profit margin as proposed to be (2%).
- Approved the IT security assessment vendor, SBM.
- Approved the 3 years rolling business plan presented as the base case for the company.
- Approved nomination of Mr. Waleed Bin Ateeq, Acting CFO as the company representative to CMA/ Tadawul in place of ex-DCEO
- Approved the actuarial reports of Protection and Savings, Solvency and Capital, Reinsurance Adequacy report, Pricing Adequacy report and Investment & ALM report of the company.
- Noted the progress in the IFRS 17 implementation and discussed the progress against the expectations of SAMA for the IFRS 17.
- Approved the updated risk policy of the company.
- Approved the Non-Life underwriting authority limits as recommended by the Risk Committee.
- Approved the updated investment, remuneration and recruitment policy of the company.
- Accepted the resignation of Mr. Herve Gloaguen. BOD further approved the nomination of Mr. Patrick Thiels as Risk committee member and member of the board of AZSF subject to SAMA approval.

#### d) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of the top Executives (the CEO, his Deputy, CFO, COO, CSO, CHRO) for the year ending 31st December 2021 were 4,176,667/-SAR.

The BOD Remunerations are detailed as follows:

Name of the Board Members	Member Classification	Attendance Fees	Annual Remunerations	Total Remunerations 2020
Alwaleed Al Dryaan	Non-Executive	27,000	340,000	367,000
Mazen Al-Tammi	Non-Executive	27,000	340,000	367,000
Antoine Issa	Non-Executive	27,000	200,000	227,000
Andreas Bruner (until 31st of August 2021)	Executive	15,000	133,150	148,150
Anuj Agarwal (From 23rd of September 2021)	Executive	9,000	66,850	75,850
Abdullah Al-Hussaini	Independent	27,000	340,000	367,000
Kamel Al Munajjed	Independent	27,000	340,000	367,000
Basil Bin Jabr	Independent	24,000	340,000	364,000
Amine Benabbou	Non-Executive	27,000	200,000	227,000
Herve Gloaguen	Non-Executive	9,000	200,000	209,000
Total	-	219,000	2,500,000	2,739,000/-SAR

#### BOD Remuneration Policy:

1. Remuneration of the Board members shall be a specified amount, attendance allowance for sessions, benefits in kind, or a certain percentage of the net profits. Two or more of these benefits may be combined.
2. If such remuneration is a certain percentage of the company's profits, then this percentage may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in application of the provisions of Cooperative Insurance Companies Control Law, Companies Law and these Articles, and after distributing a profit not less than (5%) of the company's paid-up capital to the shareholders, provided that the entitlement to this remuneration shall be proportional to the number of Board sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.

Each member of BOD, including the Chairman shall be paid the actual expenses borne thereby for attending meetings of BOD or committees emanating there from, including travel expenses, accommodation and subsistence expenses.

BOD report to the Ordinary General Assembly shall include a full statement of all the amounts received by members of BOD within the fiscal year, including remunerations, expenses and other benefits. The said report shall also include a statement of the amounts received by BOD members in their capacity as employees or administrators, or the amounts received thereby in return of technical, administrative, or consultative works. The said report shall also include the number of meetings of the BOD and the number of meetings attended by each member as from the date of the last meeting of the General Assembly.

#### e) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2021 there was no contract in which the Company was a party and its Chief Executive Officer, Chief Financial Officer, Board Members or any other person who may have a relationship with any of them benefited from it. Moreover, there are no arrangements or agreements by which any of the members of the Board of Directors or any of the top executives or any of the shareholders of Allianz Saudi Fransi waived their interests or rights to receive dividends.

The Related-Party transactions and balances of shareholders and related affiliates during 2021 are related to the following activities:

Related Party & Shareholders	Relation Nature	Amount "SAR	Period	Description
Banque Saudi Fransi and its related affiliates	Banque Saudi Fransi owns 14% in AzSF and is represented in the Board of Directors by and Mr. Mazen AlTamimi	515,227,924	N.A	Portfolio Asset management based on best quotes provided by the bank.
Banque Saudi Fransi and its related affiliates	Banque Saudi Fransi owns 14% in AzSF and is represented in the Board of Directors Mr. Mazen AlTamimi	552,951,331	N.A	Banking & Asset Custody balances. The relation is based on best quotes & services provided by the bank.
Banque Saudi Fransi and its related affiliates	Banque Saudi Fransi owns 14% in AzSF and is represented in the Board of Directors Mr. Mazen AlTamimi	75,781,561	Annual	Insurance contract mainly in Motor & Life based on best quotes provided by the company
Allianz Group & its affiliates	Allianz Europe BV owns 18.5 %& Allianz France owns 16.25% & Allianz MENA Holding Bermuda owns 16.25%. Mr. Alwaleed Al Dryaan, Represented by Mr. Herve Gloaguen, Mr. Antoine Issa, Mr. Amine Benabbou, and Mr. Anuj Agarwal.	171,715,823	Annual	Reinsurance contracts based on best quotes provided by Allianz entities.
Saudi NextCare	Allianz Saudi Fransi is a shareholder in NextCare Saudi Arabia.	1,267,868	Annual	Claims Management "Medical"
DataQuest SAL	DataQuest SAL is a company of Allianz.	2,952,414	Annual	Insurance Management System Maintenance, Support and Development.

## f) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and appreciates their continuous support and guidance.

## g) BOD Committees

### BOD Executive Committee

The BOD Executive Committee is responsible for providing recommendations to the Board on various issues including the strategy and business plans. Its primary objective is to oversee the day-to-day performance of the Company and to provide support and guidance to the CEO.

Main responsibilities include:

- Representing the Board of Directors in day-to-day management
- Supervising the organization of the Board's meeting
- Executing the Board's decisions in accordance with the CEO and the Company's management
- Proposing/setting up the general company policy, objectives and strategy
- Studying the budget and following up the performances and achievements versus the plan
- Undertaking and supervising the progress of the operation and project's development
- Review on annual or periodic basis the policies and procedures of the Company.

The Committee comprises the following members:

BOD Executive Committee	As of 31 Dec 2021
Antoine Issa	Chairman
Alwaleed Al Dryaan	Member
Mazen AlTamimi	Member
Andreas Brunner (Until 31st of August, 2021)	Member
Anuj Agarwal (from 27th of October, 2021)	Member

The BOD Executive Committee met six times during 2021 with 100% attendance.

Date	Attendance	Percent-age	Percentage with Proxy
18/01/2021	Antoine Issa, Alwaleed Al Dryaan, Mazen AlTamimi, Andreas Brunner	100%	100%
23/03/2021	Antoine Issa, Alwaleed Al Dryaan, Mazen AlTamimi, Andreas Brunner	100%	100%
15/06/2021	Antoine Issa, Alwaleed Al Dryaan, Mazen AlTamimi, Andreas Brunner	100%	100%
10/08/2021	Antoine Issa, Alwaleed Al Dryaan, Mazen AlTamimi, Andreas Brunner	100%	100%
27/10/2021	Antoine Issa, Alwaleed Al Dryaan, Mazen AlTamimi, Anuj Agarwal	100%	100%
13/12/2021	Antoine Issa, Alwaleed Al Dryaan, Mazen AlTamimi, Anuj Agarwal	100%	100%

The above Executive Committee meetings covered the following major tasks:

- Discussed the forecast Versus Plan and Action to Maintain Target.
- Discussed the lost deals and root cause analysis.
- Discussed & recommended Key Performance Report.
- Discussed & recommended the Strategic Dialogue.
- Discussed & recommended the Authority Limits and Signatures.
- Discussed & recommended the Key Performance Report & Collections update.
- Discussed & recommended the Pre-Planning Dialogue 2022.
- Discussed & recommended the selection of Cyber Security assessment vendor.
- Discussed the IFRS 17.
- Discussed the P&S Pricing Report.
- Discussed the Solvency & Capital Report.
- Discussed the Reinsurance Adequacy Report.
- Discussed & recommended the Pricing Adequacy Update (Motor & Med).
- Discussed & recommended the Medical Pricing Addendum.
- Discussed & recommended the Investment Policy & ALM Report.

The following summarizes the committee's remuneration as of 31st December 2021:

Executive Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Antoine Issa	-	18,000	18,000
Alwaleed Al Dryaan	-	18,000	18,000
Mazen AlTamimi	-	18,000	18,000
Andreas Brunner	-	12,000	12,000
Anuj Agarwal	-	6,000-	6,000
Total	-	72,000	72,000

#### BOD Audit Committee

The primary responsibility of the Audit Committee is to oversee the Company's financial controls (including appropriate disclosure and internal controls), external and internal audit activities, compliance, and reporting processes, and report the results of its activities to the Board. Further, to review the accounting policies in force and advice the Board of any recommendations regarding them.

The Company's Management is responsible for preparing the financial statements, and the independent auditors are responsible for auditing those financial statements that are in line with applicable accounting standards e.g. SOCPA and International Financial Reporting Standards (as applicable). The Audit Committee shall take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, compliance culture, and ethical behaviour.



In addition, the Audit Committee of "Allianz Saudi Fransi Cooperative Insurance Company" shall take guidance from the Audit Committee Regulation in Insurance and/or Reinsurance Companies issued by SAMA's Insurance Supervision Department.

According to the Capital Market Authority "If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee's recommendations into action as to appointing or dismissal of the company's external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board's report shall include the committee's recommendations and justifications, and the reasons for not following such recommendations".

The tasks and responsibilities of the Audit Committee include the following:

#### External Audit

- Submit recommendations to the Board to approve the appointment or reappointment, dismissal and remuneration of external auditors. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the independence of the external auditors from the Company, the Board members and the senior management of the company.
- Reviewing the audit plan of the external auditors.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- Reviewing the external auditors' reports and submit the related recommendations to the Board.
- Pursue the implementation of the corrective measures in respect of the comments included in the reports.
- Reviewing the external auditors' assessment of the internal control of Saudi Arabian Monetary Authority, Insurance Supervision Department processes.
- Assessing the competence level, efficiency and objectivity of the external auditors.
- Discussing the annual and quarterly financial statements with the external auditors and the company's management before issuing them.
- Reviewing the external auditor's comments on the financial statements and follow up actions taken about them
- To review the following topics with the external auditors:
  - Key amendments made by the Company to its accounting policies.
  - Material conflicts with the management regarding any issue pertaining to the safeguarding of invested assets.
  - Violations of Laws, Regulations and Instructions issued by the supervisory and control entities or non-compliance with the Company's policies and procedures.
  - Comments of other auditors (of external, non-Saudi Arabian, branches) on accounting procedures, reports and professional conduct.
  - Deficiencies in the general structure and performance of internal control systems.
  - Material errors in financial statements.
  - Management decisions and the basis on which the external auditors relied to validate critical accounting estimates, such as technical provisions and reserves.
  - Accounting principles and standards and disclosure decisions related to extraordinary transactions.
  - Adequacy of technical provisions and reserves set by the Actuary.
  - Actuary's Reports relevant to the Financial Statements.
  - Any major problems in dealing with the management that affected the working of the audit.
  - Internal control and the assessment of the Company's assets and solvency.
  - Any other issues that the committee is aware of and falls within its responsibilities.
  - Any amendments introduced to the audit scope and the reasons thereof.
  - Reviewing letters to management prepared by the external auditors and the Company's management comments thereon.

#### Financial Reports

- Reviewing and recommending the approval of the annual and quarterly financial statements to the Board of Directors.
- Reviewing the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.
- Ensure that all financial transactions are according to the local rules and regulations.

### Internal Audit

- Submit recommendations to the Board to appointing or dismissing the manager of the internal audit department or the internal auditor. This recommendation requires having obtained SAMA's non-objection in writing.
- Supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the Internal Audit policies and procedures on annual or periodic basis and prepare a written report and its recommendations with respect to it.
- Ensure the independence of the internal audit department or the internal auditor in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
- Determining the monthly salary and bonus of the internal audit department manager or the internal auditor after obtaining the Board's written approval.
- Reviewing the audit plan of the internal auditors.
- Reviewing the reports of the internal audit department or the internal auditor and submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.
- Assessing the competence level, efficiency and objectivity of the internal audit department or the internal auditor.
- Reviewing the internal auditors' assessment of the internal control of Saudi Arabian Monetary Authority, Insurance Supervision Department processes.

### Compliance

- Submit recommendations to the Board the appointing or dismissing of the manager, the compliance control department or the compliance officer. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the independence of the compliance control department or the compliance officer in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
- Determining the monthly salary and bonus of the compliance control department manager or the compliance officer after obtaining the Board's written approval.
- Reviewing, approving and monitoring the implementation of the compliance plan and the reports of the compliance control department or the compliance officer including any high risk for fraud findings and submits the related recommendations to the Board.
- Reviewing the comments of SAMA and the related supervisory and control entities and submits the related recommendations to the Board.
- Assessing the competence level, efficiency and objectivity of the compliance control department or the compliance officer.
- Following up on the reports issued by SAMA and the related supervisory and control entities in addition to any international developments such as the guidelines of the International Association of Insurance Supervisors and submits the related recommendations to the Board.

### Appointed Actuary

- Submit recommendations to the Board to appoint the Actuary. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the Company's compliance with the actuary suggestions and recommendations.
- Reviewing the actuary reports and submits the related recommendations to the Board

### Overseeing Controls over Operations

- Ensuring the Company has a written code of conduct duly approved by its Board of Directors to ensure that the Company's activities are conducted in a fair and ethical manner.

### Board of Directors

- Reports directly to the Board of Directors not less than quarterly about its activities, issues and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and Board of Directors.

### Other Responsibilities

- Develop a detailed plan stating its roles, responsibilities and mandate, provided that the plan is approved for implementation by a Board decision.

- Reviewing intra-group transactions and related parties transactions.
- Following up on the important lawsuits filed by or against the company and submits the related periodic reports to the Board.
- Ensuring the optimal use and controls of information technology necessary to generate accurate and reliable information and data are in place.
- The Audit Committee members are accountable to SAMA, the Company's shareholders and the Board for implementing the articles of SAMA's "Audit Committee Regulation in Insurance and/or Reinsurance Companies" and executing the committee's action plan issued by a Board's decision.
- The committee members should, while performing their tasks, give priority to the company's interest against any other considerations that might affect their work or decisions.

#### Responsibilities of Individual Committee Members

- Attend all or majority of Committee meetings.
- Dedicate enough time to participate in the conduct of AC Committee matters and meetings.
- Inform the Chairman of the Committee in writing if they cannot attend a meeting.
- Maintain the confidentiality of the Company's information gained through performing their duties and shall not publicize confidential information to shareholders out of the General Assembly or to any other party.
- Ensure integrity with the conduct of AC Committee matters and meetings.
- Obtain adequate skills and trainings necessary for the participation and conduct of the Committee matters.
- Participate and vote on the Committee decisions.
- Provide full support to the Chairman (and Vice Chairman) of the Committee in setting-up of the meeting agendas and confirmation on minutes of the meetings.
- Inform other members of the Committee on any change in regulations and leading practices effecting role and responsibilities of the Committee

The Committee comprises the following members:

BOD Audit Committee	As of 31 Dec 2021
Abdullah Al-Hussaini	Chairman
Mohammad Helmi	Member
Mostafa Abdullatif	Member

The Audit Committee met 13 times during 2021 with 100% attendance

Date	Attendance	Percentage	Percentage with Proxy
17-02-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
15-03-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
04-07-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
14-04/2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
05-06-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
06-06-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
08-09-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
20-10-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
31-10-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
22-11-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
28-10-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
29-11-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
30-11-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
13-12-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%
19-12-2021	Abdullah Al-Hussaini, Mohammad Helmi, Mostafa Abdullatif	100.0%	100.0%

There is no financial or family relationship between the BOD members and the Audit Committee. The Audit Committee member & Chairman Dr. Abdullah Al-Hussaini is an independent Member of the Board of Directors

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.
- Reviewed and recommended the quarterly and annual financial statements and reports, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.

- Reviewed the Internal Audit Plan 2021
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the annual and quarterly reporting.
- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Reviewed the AML Policy and monitored through Compliance the AML training of the employees.
- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors and consulting actuary and recommended the approval of the contracts to the Board of Directors.

The following summarizes the committee's remuneration as of 31st December 2021

Audit Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Abdullah Al-Hussaini	140,000	45,000	185,000
Mohammad Helmi	140,000	39,000	179,000
Mostafa Abdullatif	140,000	45,000	185,000
Total	420,000	129,000	549,000

#### BOD Investment Committee

The Investment Committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with SAMA's regulations. The Investment Committee reports to the Board and its main responsibilities are:

- Assess the investment recommendation made by the top management.
- Formulate the investment policy and review the implementation of the investment activities on a quarterly basis. These activities include but are not limited to:
  - Reviewing the performance of each asset class.
  - Monitoring the overall risks of the policy.
  - Submitting a performance review report to the Board of Directors.
- Review on annual or periodic basis the investment related policies and procedures of the Company and recommend amendments to its.
- Set the investment strategy in accordance with the investment policy approved by the BOD.
- Ensure the proper implementation of the investment policy/strategy on a quarterly basis.
- Establishing and reviewing Investment guidelines for the Company.
- Establishing and reviewing quality criteria for the Company's investment and strategy.
- Establishing and reviewing guidelines for the Company's portfolio structure.
- Reviewing the Financial markets' analysis prepared by the Investment department and the asset manager.
- Investment income and performance review against the plan.
- Ensure the compliance of all investment activities with the requirements of the Investment Regulation issued by SAMA and any other applicable laws and regulations.
- Review the monthly report prepared by the Management regarding the activities of the period, the portfolio structure and composition, the risk exposure, the details of any regulatory or internal limits breached during the period as well as the actions taken; the activities planned for the future.

The Committee comprises the following members:

BOD Investment Committee	As of 31 Dec 2021
Amine Benabbou	Chairman(until 13th of December 2021)
Basil Bin Jabr	Chairman (From 14th of December 2021)
Adel Mallawi	Member
Kamel Al Munajjed	Member
Andreas Brunner	Member (until 31st of August 2021)
Anuj Agarwal	Member (From 1st of September 2021)

The Investment Committee met four times during 2021 with 100% attendance.

Date	Attendance	Percentage	Percentage with Proxy
22/03/2021	Amine Benabbou, Adel Mallawi, Kamel Al Munajjed, Basel Bin Jabr, Andreas Brunner	100%	100%
27/04/2021	Amine Benabbou, Adel Mallawi, Kamel Al Munajjed, Basel Bin Jabr, Andreas Brunner	100%	100%
08/09/2021	Amine Benabbou, Adel Mallawi, Kamel Al Munajjed, Basel Bin Jabr, Andreas Brunner	100%	100%
25/10/2021	Amine Benabbou, Adel Mallawi, Kamel Al Munajjed, Basel Bin Jabr, Anuj Agarwal	100%	100%

The above Investment Committee meetings covered the following major tasks:

- Reviewed the Company's portfolio structure.
- Reviewed the Company's investment performance.
- Checked the Company's Year to Date transactions.
- Reviewed and approved Investment Policy

The following summarizes the committee's remuneration as of 31st December 2021

Investment Committee Mem-bers	Annual Fixed Remuneration	Attendance Fees	Total
Amine Benabbou		12,000	12,000
Adel Mallawi	30,000	12,000	42,000
Kamel Al Munajjed		12,000	12,000
Basel Bin Jabr		12,000	12,000
Andreas Brunner		9,000	9,000
Anuj Agarwal	-	3,000	3,000
Total	30,000-	60,000	90,000

#### Nomination & Remuneration Committee

The duties and responsibilities of the Nomination & Remuneration Committee are mainly:

- Recommend appointments to the Board appointments of membership to the Board of Directors and of Top Executives in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted or any offense affecting honor or honesty is nominated for such membership.
- Regularly review the structure and composition of the Board of Directors and recommend changes.
- Assess and monitor the independence of Board and Board committee members and ensure the absence of any conflict of interest, including ensuring the independence of the independent members, at least on an annual basis.
- Determine strengths and weaknesses of the BOD and the Committees and recommend remedies.
- Prepare description of required capabilities and qualifications for membership in the BOD, including the time that a Board member should reserve for the activities of the Board.
- Carve clear policies regarding the indemnities and remuneration of the Board Members, Board committees and senior activities.
- Evaluate the performance of the Board and Committee members on a regular basis (at least once per year).
- Approve and evaluate the compensation and succession plans, policies and programs of the Company.
- Make recommendations to the Board with regards to selecting and dismissing members of Senior Executives.
- Provide recommendations to the Board of Directors on various issues related to nomination and remuneration.
- Ensure that an annual remuneration review is conducted independently of executive management (by internal audit or external specialized firm).
- Review on annual or periodic basis the HR policies and procedures and recommend amendments to it.

The Nomination & Remuneration Committee (NRC) comprises the following:

BOD Nomination & Remuneration Committee	As of 31 Dec 2021
Kamel Al Munajjed	Chairman
Abdullah Al Hussaini	Member
Antoine Issa	Member
Mazen AlTamimi	Member

The N&R committee met eight times during 2021 with 100% attendance.

Date	Attendance	Percentage	Percentage with Proxy
22-03-2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%
14-06-2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%
28-06-2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%
08-10-2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%
23-09-2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%
01-11-2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%
08/11/2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%
12/12/2021	Kamel Al Munajjed, Abdullah Al-Hussaini, Antoine Issa, Mazen Al Tamimi	100%	100%

The above NRC meetings covered the following major tasks:

- Reviewed the new Board members qualifications and profiles
- Reviewed the remuneration of Board Members that remained unchanged as well as the Independent Members and submitted the recommendations to the Board of Directors.
- Reviewed the remuneration of Top Executives for 2021 as well as the remuneration adjustment mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the remuneration and employee benefits.
- Reviewed the updates on the Company structure as well as the recruitment of new executives and key positions.
- Consistently monitored the Saudization status.
- Consistently monitored the training program of the Company.

The following summarizes the committee's remuneration as of 31st December 2021

Remuneration Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Kamel Al Munajjed	-	24,000	24,000
Abdullah Al Hussaini	-	24,000	24,000
Antoine Issa	-	24,000	24,000
Mazen AlTamimi	-	24,000	24,000
Total	-	96,000	96,000



## Risk Committee

The Risk Committee's objective is to oversee the Risk Management Function ensuring the identification of risks that may imperil the Company and maintain an acceptable risk profile. The duties and responsibilities of the Risk Committee are:

- Identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company.
- Overseeing the risk management system and assessing its effectiveness.
- Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis by taking into account developments that are internal and external to the Company.
- Reviewing risk management policies.
- Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g. through stress testing exercises).
- Reporting to the Board details of risk exposures and recommending actions to manage them.

The scope of the Risk Committee shall cover the below risk categories together with their underlying sub-categories:

- Market Risk: Interest Rate Risk, Equity Risk, Property Risk, Currency Risk, Spread Risk and Liquidity Risk.
- Counterparty default Risk: Reinsurance, Concentration, Other counterparties and Credit Risk.
- Non Life Underwriting: Pricing (General), Pricing (Health), Reserving (General), Reserving (Health), Non-Life catastrophe and Lapse
- Life Underwriting: Mortality, Longevity, Morbidity & Disability, Lapse, Expense and Catastrophe.
- Strategic Risk: Business, Market/ Country and Reputational
- Operational Risk: Internal fraud, external fraud, HR, Physical Damage, Cyber-attack, System Failure, Data Quality and Process management
- Actuarial outputs: Reserving, Underwriting non-life, Underwriting Life, Reinsurance and Solvency
- Oversight: Senior Management, Risk Management, Compliance, Audit, Operational management
- Conduct of Business: Product development, Product promotion disclosure & sales, Claims, Complaints and Privacy protection
- Regulatory & AML: Regulatory, AML.

The Risk Committee comprises the following:

BOD Risk Committee	As of 31 Dec 2021
Basel Bin Jabr	Chairman
Herve Gloaguen	Member
Adel Mallawi	Member

The Risk committee met four times during 2021 with 66.6% attendance.

Date	Attendance	Percentage	Percentage with Proxy
23/03/2021	Basel Bin Jabr, Adel Mallawi	66.6%	66.6%
05/04/2021	Basel Bin Jabr, Adel Mallawi	66.6%	66.6%
15/09/2021	Basel Bin Jabr, Adel Mallawi	66.6%	66.6%
25/10/2021	Basel Bin Jabr, Adel Mallawi,	66.6%	66.6%

The above Risk Committee meeting covered the following topics:

- Monitored the Risk Profile and Exposure of the Company.
- Regularly reviewed the Implementation of the Risk Management.
- Regularly reviewed the Statutory Solvency status.
- Reviewed the Top Risk Assessment
- Discussed and reviewed the Operational Risk.
- Reviewed the Underwriting Risk

The following summarizes the committee's remuneration as of 31st December 2020

Risk Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Basel Bin Jabr	-	12,000	12,000
Adel Mallawi	30,000	12,000	42,000
Herve Gloaguen	-	-	-
Total	30,000-	24,000	54,000

## **h) Risk Management**

During 2021, Allianz Saudi Fransi succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from their core business operations.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the company is exposed. Consideration shall not be limited to the risks associated with one class of business but shall extend to risks from all other classes.

The Risks are mentioned here below:

### **Operational/ Process Risk**

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputational loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and Management ensures that sufficient funds are available to meet any commitments as they arise.

### **Claims management risk**

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs.

### **Reserving and ultimate reserves risk**

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions.

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

### **Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its bank balances and available for sale investments.

### **Currency Exchange Risk**

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

### **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

### **Fund Price Risk**

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

### **Insurance Risk**

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims,

actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

### Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis.

### Fair Value of Financial Instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

### i) Zakat and Legal Payments

Allianz Saudi Fransi allocated SAR 10.3 for Zakat and Tax in 2021 against SAR 10.2 allocated in 2020.

The following table shows a list of legal expenses for the year ended December 31st, 2021 (The amounts charged in 2020 & the related paid amounts as of December 31st, 2021).

SAR Million	2021		2020		2019		2018		2017	2016
	Paid	Charged	Paid	Charged	Paid	Charged	Paid	Charged	Charged	
Customs Expenses	-	-	-	-	-	-	-	-	-	-
Zakat & Tax	5.2	9.3	24.0	10.3	5.6	10.2	5.5	7.9	7.6	5.3
GOSI Expenses	8.5	8.5	10.4	10.4	7.6	7.6	7.3	7.3	5.4	3.1
Visa & Passports	1.4	1.4	1.3	1.3	1.3	1.3	1.2	1.2	0.3	0.2
Inspection & Supervision Fees	6.1	6.1	5.1	5.1	7.0	7.0	6.5	4.9	6.1	5.4
Total	21.2	25.3	40.8	27.1	21.5	26.1	20.5	21.3	19.4	14.0

## 11. Future Plans

The Company will continue its development and growth in the market in line with its vision and as per the following strategy over the next three years:

### Lines of Business Strategy

Motor: Maintain profitability and increase market share; increase onboarding of leasing companies, offer more automated solutions to customer.

Medical: Maintain lower loss ratio than the market; improve utilization of Third party administrator, introduce international health product.

Protection and Savings: Introduce new Fixed Income fund, improve asset allocation, automate customer experience

Other Property & Casualty business: Maintain profitable business and increase market share; explore to increase treaty capacity and explore Inward facultative business, implement strict adherence to Allianz underwriting and reinsurance standards, develop "Midcorp" Go-to-market strategy

### Distribution Channel Strategy

Broker Channel: Develop and consolidate broker relationship with Top brokers, provide automated solutions and better TAT to brokers

Corporate Sales Force: Introduce competitive commission structure, improve TAT and increase number of Sales force Direct

Sales Force: Improve productivity per agent

Bancassurance: Improve TAT for bank, develop retail bancassurance agreement,

**Direct Transformation Strategy:** Undertake digital transformation to improve customer experience, reduce costs and improve service standards

**People Strategy:** Identify key people across the company, introduce stricter discipline on target letters, develop training plan, introduce retention long term incentive for key and senior staff

**Expense Efficiency:** Maintain expense efficiency through strict cost control maintaining non sales staff numbers, improving attrition and evaluating outsourced activities.

## 12. External Independent Auditors and Accounting Standard

In 2021, the Extraordinary General Assembly which convened on 29/06/2021 has approved the BOD recommendation of appointing Price Water House and the appointment of PKF as joint external auditors for the fiscal year ended 31st December 2021. The recommendation and approval of the above mentioned auditors were based on the Audit Committee recommendation which came from the filtering a number of biddings submitted by different audit firms.

The financial statements as at 31st December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by SAMA for accounting of Zakat and Income Tax.

The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2021 and the result of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as modified by SAMA for accounting of Zakat and Income Tax.

## 13. Shariah Committee

The Company has a Shariah Committee composed of:

- Sheikh Dr. Hisham bin AbdulMalik bin Abdullah Al Al-Sheikh

The Shariah Independent Consultant reviews and approves Shariah Compliant Protection & Savings products of the Company.

## 14. Company's Requests of Shareholders Records

#	Request Date	Ownership as at	Reason
	28/06/2021	Requested to support the preparation for the General Assembly meeting.	Requested for the preparation of the BOD Report of 2019.
	20/12/2021	Requested to support the preparation for the Extraordinary General Assembly meeting.	Requested for other procedures of the company related to the capital increase transactions.
	30/01/2022	Requested for the preparation of the BOD Report of 2021.	Requested to support the preparation for the General Assembly meeting.

## 15. Company's Declarations

Allianz Saudi Fransi declares the following:

- During 2021, no loans were taken by the Company;
- No outstanding loans as at 2021;
- There were no redemption, purchase or cancellation by the company of any redeemable debt instruments;
- The Company does not own any treasury shares.

## 16. Board of Directors Declaration

The Board of Directors confirms the following:

- Proper accounting books have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no doubts concerning the Company's ability to continue as a going concern.

ANNUAL REPORT 2021

# Financial Statement 2021

And the Independent Auditors' Report  
For the year ended 31 December 2021

# Independent Auditors' Report

Independent Auditors' Report to the Shareholders of  
Allianz Saudi Fransi Cooperative Insurance Company

(A Saudi Joint Stock Company)

## Opinion

We have audited the financial statements of Allianz Saudi Fransi Cooperative Insurance Company – a Saudi Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in Kingdom of Saudi Arabia").

## Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matter below, a description of how our audit addressed the matter is provided in that context:

The key audit matter	How the matter was addressed in our audit
<p><b>Valuation of ultimate claim liabilities arising from insurance contracts</b></p> <p>As at 31 December 2021, gross outstanding claims, reserves including claims incurred but not reported (IBNR), premium deficiency reserve and additional premium reserves amounted to Saudi Riyals 629.1 million as reported in Note 14 to the financial statements.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p> <p>The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>Due to the estimation uncertainty and subjectivity involved in the assessment of valuation of ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter.</p> <p>Refer to notes 2 and 3 to the financial statements which explain the valuation methodology used by the Company and critical judgements and estimates.</p>	<p>We performed the following procedures</p> <ul style="list-style-type: none"><li>• Understood, evaluated and tested key controls around the claims handling and provision setting processes.</li><li>• Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence.</li><li>• Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.</li><li>• Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the IBNR by comparing it to the accounting and other records.</li><li>• Challenged management's methods and assumptions, through assistance of our internal actuarial expert to understand and evaluate the Company's actuarial practices and provisions established and gained comfort over the actuarial report issued by management's expert, by performing the following:<ul style="list-style-type: none"><li>(i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;</li><li>(ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and</li><li>(iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.</li></ul></li><li>• Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</li></ul>

## Other Information

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information comprises information included in the Company's 2021 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## **Responsibilities of the Directors and Those Charged with Governance for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report<sup>11</sup> unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report<sup>11</sup> because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**PricewaterhouseCoopers**  
P. O. Box 8282  
Riyadh 11482  
Kingdom of Saudi Arabia



**Ali H. Al Basri**  
Certified Public Accountant  
License Number 409



**For Al-Bassam & Co.**  
P.O. Box 69658  
Riyadh 11557  
Kingdom of Saudi Arabia

Date: 24 March 2022  
Corresponding to: 21 Sha'aban, 1443H



**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
License Number 337



# Statement of Financial Position

As at 31 December 2021

	Note	2021 SAR	2020 SAR
<b>ASSETS</b>			
Cash and cash equivalents	4	160,979,644	325,046,225
Prepaid expenses and other assets	5	202,209,214	144,090,776
Premiums receivable, net	6	346,330,780	404,388,790
Reinsurers' balance receivable, net	7(a)	83,779,407	74,029,044
Reinsurers' share of outstanding claims	14.1	441,962,088	501,314,767
Reinsurers' share of claims incurred but not reported	14.1	52,137,423	57,566,257
Reinsurers' share of unearned premiums	14.2	128,937,475	103,362,771
Deferred policy acquisition costs	14.3	20,749,602	12,903,209
Right-of-use assets	8.1	844,193	3,730,142
Financial assets at fair value through statement of income (unit linked investments)	9	515,227,924	524,059,821
Available for sale investments	10(a)	552,951,331	404,481,591
Deferred tax assets, net	11	7,668,495	5,825,970
Property and equipment, net	12	7,968,658	9,527,586
Statutory deposit	13	60,000,000	60,000,000
Accrued income on statutory deposit	13	1,579,858	1,572,445
<b>TOTAL ASSETS</b>		<b>2,583,326,092</b>	<b>2,631,899,394</b>
<b>LIABILITIES</b>			
Accrued and other liabilities	15	103,619,228	165,432,785
Surplus distribution payable	16	11,816,069	15,092,678
Reinsurers' balances payable	7(b)	246,066,437	202,216,042
Unearned premiums	14.2	327,493,566	266,364,432
Unearned reinsurance commission	17	1,347,774	2,829,659
Outstanding claims	14.1	510,039,419	574,233,568
Claims incurred but not reported	14.1	108,652,961	123,799,018
Lease liabilities	8.2	997,804	3,362,331
Premium deficiency reserve	14.1	5,960,779	9,039,013
Additional premium reserves	14.1	4,411,285	1,385,708
Unit linked liabilities	14.1	509,896,334	518,114,351
Employees' end-of-service obligations	18	19,030,822	19,019,582
Zakat and income tax	19	21,120,732	14,699,522
Accrued income payable to SAMA	13	1,579,858	1,572,445
<b>TOTAL LIABILITIES</b>		<b>1,872,033,068</b>	<b>1,917,161,134</b>
<b>EQUITY</b>			
Share capital	20	600,000,000	600,000,000
Share premium		16,310,624	16,310,624
Statutory reserve		21,867,493	20,743,607
Retained earnings		52,172,287	47,676,744
Actuarial reserve for employees' end-of-service obligations		3,392,704	3,597,830
Fair value reserve on investments	10(b)	17,549,916	26,409,455
<b>TOTAL EQUITY</b>		<b>711,293,024</b>	<b>714,738,260</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,583,326,092</b>	<b>2,631,899,394</b>
CONTINGENCIES AND COMMITMENTS	28		

The accompanying notes 1 to 31 form an integral part of these financial statements.

Anuj Agarwal  
Chief Executive Officer

Alwaleed Abdulrazak ALDryan  
Chairman

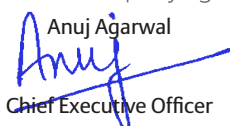
Waleed Bin Ateeq  
Acting Chief Financial Officer

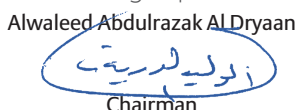
# Statement of Income


For the year ended 31 December 2021

	Note	2021 SAR	2020 SAR
<b>REVENUES</b>			
Gross premiums written	14.2	763,115,103	674,731,117
Reinsurance premiums ceded abroad	14.2	(293,165,763)	(233,697,568)
Reinsurance premiums ceded locally	14.2	(1,169,813)	(1,844,048)
Excess of loss expenses	14.2	(16,799,071)	(14,484,569)
Fee income from unit linked investments		1,374,634	1,242,769
<b>Net premiums written</b>		<b>453,355,090</b>	<b>425,947,701</b>
Changes in unearned premiums	14.2	(61,129,134)	142,333,898
Changes in reinsurers' share of unearned premiums	14.2	25,574,704	(49,014,814)
Net premiums earned		417,800,660	519,266,785
Reinsurance commissions	17	4,868,942	9,812,624
<b>NET REVENUES</b>		<b>422,669,602</b>	<b>529,079,409</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid		(469,821,699)	(441,541,109)
Surrenders and maturities		(117,405,672)	(96,326,838)
Expenses incurred related to claims		(21,675,126)	(23,615,412)
Reinsurers' share of claims paid		277,496,216	157,837,415
<b>Net claims and other benefits paid</b>		<b>(331,406,281)</b>	<b>(403,645,944)</b>
Changes in outstanding claims		64,194,149	(41,166,815)
Changes in reinsurers' share of outstanding claims		(59,352,679)	68,986,560
Changes in premium deficiency reserve		3,078,234	2,692,320
Changes in additional premium reserves		(3,025,577)	(16,388)
Changes in claims incurred but not reported		15,146,057	(36,018,576)
Changes in reinsurers' share of claims incurred but not reported		(5,428,834)	14,267,543
<b>Net claims and other benefits incurred</b>		<b>(316,794,931)</b>	<b>(394,901,300)</b>
Changes in unit linked liabilities		8,218,017	17,300,766
Unrealized gain on unit linked investments		45,308,193	14,182,293
Policy acquisition costs	14.3	(37,667,016)	(55,071,599)
Inspection and supervision fees		(6,081,066)	(5,136,631)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>(307,016,803)</b>	<b>(423,626,471)</b>
<b>NET UNDERWRITING INCOME</b>		<b>115,652,799</b>	<b>105,452,938</b>
<b>OTHER (EXPENSES) / INCOME</b>			
Provision of doubtful debts	6 & 7	(4,251,304)	(3,306,054)
General and administrative expenses	22	(116,827,625)	(136,339,356)
Investment income		15,039,009	11,442,114
Other income		7,738,605	5,117,953
<b>TOTAL OTHER EXPENSES</b>		<b>(98,301,315)</b>	<b>(123,085,343)</b>
<b>NET INCOME / (LOSS) FOR THE YEAR BEFORE ATTRIBUTION AND ZAKAT AND TAX</b>		<b>17,351,484</b>	<b>(17,632,405)</b>
Surplus attributed to the insurance operations	16	(866,159)	-
<b>NET INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT AND TAX</b>		<b>16,485,325</b>	<b>(17,632,405)</b>
Zakat charge for the year	19	(9,309,191)	(10,267,741)
Income tax (charge) / credit for the year, net	19	(1,556,705)	552,513
<b>NET INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND TAX</b>		<b>5,619,429</b>	<b>(27,347,633)</b>
<b>Earnings / (loss) per share</b>			
Basic and diluted earnings / (loss) per share	26	0.09	(0.85)

The accompanying notes 1 to 31 form an integral part of these financial statements.

Anuj Agarwal  
  
 Chief Executive Officer

Alwaleed Abdulrazak ALDryan  
  
 Chairman

Waleed Bin Ateeq  
  
 Acting Chief Financial Officer

## Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 (SAR)	2020 (SAR)
Net income / (loss) for the year attributable to the shareholders after zakat and tax		5,619,429	(27,347,633)
Other comprehensive income:			
Items that will not be reclassified to the statement of income in subsequent years			
Re-measurement of defined benefit liability – employees' end-of-service obligations	18	(205,126)	(230,658)
Items that may be reclassified to statement of income in subsequent Years			
Available for sale investments:			
- Net change in fair value	10(b)	(9,912,088)	15,898,904
- Deferred tax relating to change in fair value	11	1,052,549	(1,688,050)
Total comprehensive loss for the year		(3,445,236)	(13,367,437)

## Statement of Changes In Equity

For the year ended 31 December 2021

	Share Capital SAR	Share Premium SAR	Statutory Reserve SAR	Retained earnings SAR	Actuarial reserve for employees' end-of-service obligations SAR	Fair value reserve on investments SAR	Total SAR
Balance as at 1 January 2021	600,000,000	16,310,624	20,743,607	47,676,744	3,597,830	26,409,455	714,738,260
Total comprehensive income / (loss) for the year:							
Net income for the year attributable to shareholders after zakat and tax	-	-	-	5,619,429	-	-	5,619,429
Re-measurement of defined benefit liability – employees' end-of-service obligations	-	-	-	-	(205,126)	-	(205,126)
Changes in fair values of available for sale investments – (Note 10 (b))	-	-	-	-	-	(9,912,088)	(9,912,088)
Deferred tax relating to change in fair value – (Note 11)	-	-	-	-	-	1,052,549	1,052,549
Total comprehensive income / (loss) for the year	-	-	-	5,619,429	(205,126)	(8,859,539)	(3,445,236)
Transfers to statutory reserve	-	-	1,123,886	(1,123,886)	-	-	-
Balance as at 31 December 2021	600,000,000	16,310,624	21,867,493	52,172,287	3,392,704	17,549,916	711,293,024
Balance as at 1 January 2020	200,000,000	22,711,315	20,743,607	75,024,377	3,828,488	12,198,601	334,506,388
Total comprehensive income / (loss) for the year:							
Net loss for the year attributable to shareholders after zakat and tax	-	-	-	(27,347,633)	-	-	(27,347,633)
Re-measurement of defined benefit liability – employees' end-of-service obligations	-	-	-	-	(230,658)	-	(230,658)
Changes in fair values of available for sale investments – (Note 10 (b))	-	-	-	-	-	15,898,904	15,898,904
Deferred tax relating to change in fair value – (Note 11)	-	-	-	-	-	(1,688,050)	(1,688,050)
Total comprehensive income / (loss) for the year	-	-	-	(27,347,633)	(230,658)	14,210,854	(13,367,437)
Increase in share capital – (Note 20)	400,000,000	-	-	-	-	-	400,000,000
Transaction cost related to increase in share capital	-	(6,400,691)	-	-	-	-	(6,400,691)
Balance as at 31 December 2020	600,000,000	16,310,624	20,743,607	47,676,744	3,597,830	26,409,455	714,738,260

The accompanying notes 1 to 31 form an integral part of these financial statements.

Anuj Agarwal  
Chief Executive Officer

Alwaleed Abdulrazak ALDryan  
Chairman

Waleed Bin Ateeq  
Acting Chief Financial Officer



## Statement of cash

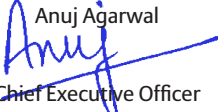
For the year ended 31 December 2021

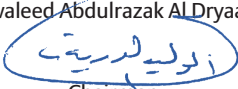
	Note	2020 SAR	2019 SAR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the year before surplus, zakat and tax		17,351,484	(17,632,405)
Adjustments for non-cash and other items:			
Depreciation of property and equipment	12	3,864,229	3,257,176
Amortisation of right-of-use assets	8.1	2,885,949	3,046,086
Amortization of investments premium	10(b)	543,172	646,813
Provision / (reversal) of doubtful reinsurance receivables	7(a)	362,006	(1,375)
Gain on sale of property and equipment		(138,454)	(3,950)
Provision for doubtful receivables and write-offs	6	3,889,298	2,735,966
Provision for end-of-service obligations	18(a)	2,497,443	4,122,027
Unrealized gains on unit linked investments		(45,308,193)	(14,182,293)
Finance cost on lease liabilities	8.2	447,261	472,439
Surplus written back		(3,803,941)	-
		(17,409,746)	(17,539,516)
<b>Changes in operating assets and liabilities:</b>			
Reinsurance balances receivable		(10,112,369)	(3,491,768)
Premiums receivable		54,168,712	13,461,521
Reinsurers' share of unearned premiums		(25,574,704)	49,014,814
Reinsurers' share of outstanding claims		59,352,679	(68,986,560)
Reinsurers' share of claims incurred but not reported		5,428,834	(14,267,543)
Deferred policy acquisition costs		(7,846,393)	14,016,341
Unit linked investments		54,140,090	28,236,330
Prepaid expenses and other assets		(58,118,438)	(71,600,571)
Accrued expenses and other liabilities		(61,813,557)	14,947,219
Reinsurers' balances payable		43,850,395	6,616,919
Unearned premiums		61,129,134	(142,333,898)
Unearned reinsurance commission		(1,481,885)	(4,518,114)
Unit linked liabilities		(8,218,017)	(17,300,766)
Outstanding claims		(64,194,149)	41,166,815
Claims incurred but not reported		(15,146,057)	36,018,576
Premium deficiency reserve		(3,078,234)	(2,692,320)
Additional premium reserves		3,025,577	16,388
		8,101,872	(139,236,133)
End-of-service obligations paid	18(a)	(2,691,329)	(2,181,001)
Surplus paid to policyholders	16	(338,827)	(594,788)
Zakat and income tax paid	19(c)	(5,234,662)	(24,000,408)
Net cash flows used in operating activities		(162,946)	(166,012,330)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions in available for sale investments	10(b)	(172,500,000)	(30,000,000)
Proceeds from sale of available for sale investments	10(b)	13,575,000	26,250,000
Proceeds from sale of property and equipment		138,454	3,950
Additions in property and equipment	12	(2,305,301)	(4,765,982)
<b>Net cash used in investing activities</b>		(161,091,847)	(8,512,032)

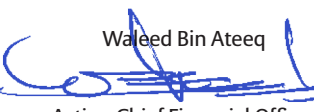
## Statement of cash (continued)

CASH FLOWS FROM FINANCING ACTIVITIES	Lease rental paid	8.2	(2,811,788)	(2,894,339)
	Increase in statutory deposit		-	(40,000,000)
	Transaction cost related to increase in share capital		-	(6,400,691)
	Increase in share capital		-	400,000,000
	Net cash flows (used in) / generated from financing activities		(2,811,788)	350,704,970
	NET CHANGE IN CASH AND CASH EQUIVALENTS		(164,066,581)	176,180,608
	Cash and cash equivalents, beginning of the year		325,046,225	148,865,617
	<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	4	<b>160,979,644</b>	325,046,225
Non-cash information:	Changes in fair value of available for sale investments	10(b)	9,912,088	(15,898,904)
	Re-measurement of defined benefit liability – employees' end-of-service obligations	18	205,126	230,658
	Deferred income tax	11	(1,052,549)	1,688,050

The accompanying notes 1 to 32 form an integral part of these financial statements.

Anuj Agarwal  
  
 Chief Executive Officer

Alwaleed Abdulrazak AlDraan  
  
 Chairman

Waleed Bin Ateeq  
  
 Acting Chief Financial Officer

## ANNUAL REPORT 2021

# Notes to The Financial Statements 2021

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

## 1. GENERAL

Allianz Saudi Fransi Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), the "Company", was formed pursuant to Royal Decree No. 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006). The Company operates under Commercial Registration Number 1010235601 dated 26 Jumada Thani 1428H (corresponding to 11 July 2007). The Company operates through its eight branches in the Kingdom of Saudi Arabia. The registered address of the Company's head office is as follows:

Allianz Saudi Fransi Cooperative Insurance Company  
Al Safwa Commercial Building, Khurais Road  
P.O. Box 3540  
Riyadh 11481, Saudi Arabia

The Company's ultimate parent is Allianz SE, a European financial services company headquartered in Munich, Germany. The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include medical, protection and savings, motor, engineering, property and other general insurance lines. On 31 July 2003, corresponding to 2 Jumada Thani 1424H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). During March 2008, the Saudi Central Bank ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On 1 January 2016, the Company management approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

## 2. BASIS OF PREPARATION

### a) Basis of presentation and measurement

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of unit linked investments, available-for-sale investments and recording of employees' end of service obligations at present value. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: available for sale investments, property and equipment, statutory deposit, accrued income on statutory deposit and end-of-service obligations. All other financial statement line items would generally be classified as current. Also refer note 27(e).

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 30). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 30 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required by IFRS. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and

shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

## **b) Functional and presentational currency**

The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statements values are presented in Saudi Riyals, unless otherwise indicated.

## **c) Fiscal year**

The Company follows a fiscal year ending 31 December.

## **d) Critical accounting judgments, estimates and assumptions**

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The Company has reviewed the key sources of estimation uncertainties disclosed in the annual financial statements against the backdrop of the COVID-19 pandemic. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

In response to the spread of the COVID-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company during the year 2021 and 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to COVID-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the COVID-19 pandemic has had no material effect on the Company's reported financial results for the year ended December 31, 2021 including the significant accounting judgements and estimates. The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

### **Medical technical reserves**

During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company experienced a surge in claims which was in line with the expectations of the Company's management. Most of the deferred services have been availed as at the valuation date and therefore the Company has not set aside any additional provision for further deferral of medical claims.

CCHI issued a Circular 895, dated December 17, 2020 regarding the procedure, protocols, and prices relating to the

enforcement of Article 11. Following the procedures, Government facilities will now be available to bill insurance companies for the claims incurred for some elements of their insured population. As instructed by CCHI, the new protocols and procedures will cover all new and renewing policies incepting from January 1, 2021. Moreover, this will also cover all emergency cases for all enforce policies as of January 1, 2021.

#### Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

#### 1) The ultimate liability arising from claims made under insurance contracts

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

The provision of IBNR is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property, engineering and large claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis. The Company uses the service of an independent actuary in the valuation of IBNR as well as Premium Deficiency Reserve and other technical reserves.

#### 2) Impairment of available for sale investments

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy for equity instruments and mutual funds. In making this judgment, the Company evaluates among other factors, the normal volatility in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Company reviews its bond and sukuk investments classified as available for sale at each reporting date to assess whether they are impaired. In the case of bond and sukuk investment classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income.

#### 3) Impairment of receivables

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

#### 4) Fair value of financial assets

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values.

The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended December 31, 2020, except for the adoption of the following:

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

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from January 1, 2021:

Standard / Amendments	Description
Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19 related Rent Concessions Extension

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

#### Standards issued but not yet effective:

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

Standard/Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements to IFRS	Improvements relating to: - IFRS 9 Financial Instruments - IFRS 16 Leases - IFRS 1 First-time Adoption of IFRS - IAS 41 Agriculture	January 1, 2022
Amendments to IAS 1 and IFRS		
Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

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

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

## IFRS 17 Insurance Contracts

### Overview

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

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

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

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

### Measurement

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

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

##### a) the fulfilment cash flows (FCF), which comprise:

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

b) the Contractual Service Margin (CSM) - The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of:

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

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

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

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). 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 GMM, the CSM is also adjusted for;

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

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity



is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

### Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 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, 2023. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends 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 assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key gaps and their impact are as follows:

Impact Area	Summary of Impact
Financial Impact	<p>The Company will need to change the practice of revenue recognition at the level of aggregation – IFRS 17 requires to recognize losses immediately, whereas the gain (refer to contractual service margin – CSM) will be earned over the coverage period of the direct insurance contracts. This may have high financial impact.</p> <p>The extent and sign of the financial impact also depends on the current assumptions, methodologies and practices being followed by the Company in technical reserves calculation.</p> <p>The new components of Insurance Finance Income and Expenses will have a greater impact, in particular to the following areas:</p> <ul style="list-style-type: none"> <li>- liability for incurred claims for which discounting will be required</li> <li>- accretion of interest on the CSM where the general model will be applied.</li> </ul> <p>Solvency capital may also have an impact subject to the local regulations.</p>
Data Impact	<p>The IFRS 17 requires the Company to decide on the level of aggregation based on the following three criteria:</p> <ol style="list-style-type: none"> <li>1. Portfolio;</li> <li>2. Profitability; and</li> <li>3. Issuance Year</li> </ol> <p>This will increase the required granularity level of the data. Hence, new data fields will be required going forward and have significant impact on the data.</p>
IT Systems Impact	<p>Generally, the Company will have to modify their existing systems in order to capture the new data fields and process the new accounting entries. The Company may also have to update their existing reporting process and systems, in addition to the data storage requirements.</p>
Process Impact	<p>The financial reporting would change significantly under IFRS 17, with significant increase in the number of disclosures required by the standard.</p> <p>The accounting processes and chart of accounts would need to be updated as per the IFRS 17 standard.</p> <p>Actuarial models and assumptions need to be aligned with the IFRS 17 requirements.</p>
Impact on RI Arrangements	<p>Generally, the Company will have to review their existing reinsurance arrangements to better align with the IFRS 17 requirements with their existing processes. However, it may be possible that contracts issued by the Company may have different measurement models as compared to the contracts held by the Company.</p>
Impact on Policies & Control Frameworks	<p>The Company will need to update their existing policies and controls frameworks in all those areas which will have an impact due to the IFRS 17 adoption.</p>

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

A dry run was conducted on the financial statements for the year 2020 as required by SAMA's phase 4 requirement based on certain operational simplicity. The results of IFRS 17 dry run were submitted to SAMA on during 2021. The Company is now in the process of completing SAMA's Phase 4 second dry run.

## **IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)**

This standard was published on July 24, 2014 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.

### **Effective date**

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

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
  - the effective date of a new insurance contract standard; or
  - annual reporting periods beginning on or after 1 January 2023. The IASB is proposing to extend the effective date of

IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2018:

(1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

(2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

### **Impact assessment**

As at December 31, 2021, the Company has total financial assets amounting to SR 1,423 million. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 363 million (2020: SR 469 million). Fair value of unit linked investments held at fair value through statement of income as at December 31, 2021 is SR 506 million (2020: SR 524 million). Other financial assets consist of available for sale investments amounting to SR 553 million (2020: SR 404 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. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2021 these debt securities within available for sale category are measured at fair value of SR 563 million with changes in fair value during the year of SR (9.9) million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 27. The Company financial assets have low credit risk as at 31 December 2021 and 2020. 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

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

## **Cash and cash equivalents**

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

## **Premiums receivable**

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of income.

An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in notes 6 and 7 falls under the scope of IFRS 4 "Insurance contracts".

## Available for sale investments

Available for sale investments ("AFS") include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Such investments are initially recorded at fair value including transaction costs directly attributable to the acquisition of the investment. After initial measurement, AFS financial investments are subsequently measured at fair value. Unrealised gains or losses arising from changes in fair value of investments are shown in the statement of comprehensive income. Realised gains or losses on sale of these investments and commission income are reported in the statement of income.

Dividend, commission income and foreign currency gain/loss are recognized in the statements of income as part of net investment income/loss.

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

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

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

## Reclassification

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity (HTM) is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate "EIR". Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income. During 2021 and 2020, there was no reclassifications among the financial asset categories.

## Derecognition of financial assets

Derecognition of a financial asset occurs only when the seller has transferred the asset's risks and rewards (either substantially or partially) or control of the contractual rights have been transferred from the seller to the buyer. The evaluation of the transfer of risks and rewards should precede an evaluation of the transfer of control for all types of transaction. The positions of both the buyer and the seller should be considered but the seller's position is seen as more relevant. An entity may achieve partial derecognition whereby it recognises the components that have been retained, or new assets or liabilities such as those that arise from issuing a guarantee.

If the entity determines that it has neither retained nor transferred substantially all of an asset's risks and rewards and that it has retained control, the entity should continue to recognise the asset to the extent of its continuing involvement.

## Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of

financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

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

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

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

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

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

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

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

## Impairment of non-financial assets

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

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

## Unit linked investments and liabilities

Unit linked investments are assets backing liabilities arising from contracts, where the liabilities are contractually linked to the fair value of the financial assets within the policyholders unit linked funds and are classified as 'held for trading' assets and are designated at fair value through statement of income. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Any change in fair value is recognised in statement of income

An investment may be designated at fair value through statement of income by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured. Transaction costs, if any, are not added to the fair value measurement at initial recognition of fair value through statement of income investments. Dividend income (if any) on financial assets held at fair value through statement of income is presented under 'Investment income' in the statement of income.

The Company has unit linked liabilities at FVSI. These pertain to individual life insurance contracts which insure human life events such as death over a long period of time. Insurance premiums are recognised directly as liabilities. These liabilities are increased/decreased by change in the unit prices as in the case of unit-linked contracts and decreased by plan holder charges and surrender and maturities. The unit linked liabilities are determined as the value of the units deemed allocated at the valuation date. Additional technical provisions have been established for the value of risk related to the life insurance contracts. These additional provisions are calculated using stochastic techniques and are not a significant portion of the overall unit linked liabilities.

## Property and equipment

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

■	Computer and office equipment	4 years
■	Motor vehicles	4 years
■	Furniture and fittings	4 to 7 years
■	Leasehold improvements	5 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate. The carrying values of these assets are reviewed for impairment when events 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 amounts, the assets are written down to their recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

## Accounting for leases

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

## Right of use asset

The Company applies cost model and measures the right of use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, the right of use asset would equate the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transactions etc. these need to be added to the right of use asset value.

## Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

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

1. Increasing the carrying amount to reflect the interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

## Statutory deposit

The statutory deposit shall be ten percent (10%) of the paid up capital. The Company has placed the statutory deposit amount in a bank designated by SAMA. SAMA shall be entitled to the earnings on statutory deposit which is payable by the Company to SAMA and appearing as 'Accrued income payable to SAMA'.

## Provisions, accrued expenses and other liabilities

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Accrued expenses and other liabilities are recognized for amounts to be paid in the future for services, whether billed by the supplier or not.

## Surplus distribution payable

Ten-percent (10%) of the net surplus from insurance operations shall be distributed to the policyholders directly, or in the form of reduction in premiums for the next year. The remaining ninety-percent (90%) of the net surplus shall be transferred to the shareholders.

## Deferred policy acquisition costs (DAC)

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

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises.

If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed of.

## Claims

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

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

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



## Additional premium reserves

Additional premium reserves are booked by the Company on the basis of unexpired risk reserve for engineering business.

## Zakat and income tax

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis and recorded in the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed

## Income Tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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 country where the company 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 year in which such assessments are made. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable 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.

## Deferred income tax

Deferred income tax is recognised using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax recognised is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

## Zakat

The Company is subject to Zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

## End-of-service obligations

The calculation of the employees' end of service benefit is performed annually by a qualified actuary using the projected unit credit method in accordance with the requirements of IAS 19 "Employee Benefits". All past service costs are recognized as an expense immediately in the statement of income. Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses are recognized in other comprehensive income.

The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at that date, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefits payments. Net Interest expense and other expenses related to the defined benefit plans are recognized in the statement of income.

## Short term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

## Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

## Insurance and investment 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.

Investment contracts are those contracts that do not transfer significant insurance risk. The Company's unit linked products have been classified as investment contracts. These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments.

The Company's insurance and investment contracts do not contain any discretionary participatory features.

## Reinsurance

Reinsurance is distributed between treaty, facultative and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts 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.

## Revenue recognition

Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

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

Deposits (premium) related to unit linked contracts are credited to policyholder account balances. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded under "Fee income from unit linked investments" in the period in which services are provided.

## Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded on the same basis as premium in the statement of income.

## Investment income

Investment income on debt instruments classified under available for sale investments and deposits are accounted for on an effective interest basis.

## Dividend income

Dividend is recognised in the statement of income only when:

- the entity's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the entity; and
- the amount of the dividend can be measured reliably.

## Statutory reserve

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

## Expense recognition

Expenses are recognized in statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses are presented using the nature of expense method.

## 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 property.

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 action against the liable third party.

## Liability adequacy test

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

## Cash flow statement

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

## Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company is organised into business units based on their products and services and has six reportable operating segments as follows:

- Motor insurance provides coverage against loss or damage to the motor vehicles caused by accident, fire or theft along with the coverage of third party liability as well;
- Health care (medical) products provide medical cover to policyholders;
- Property and casualty which include the following:
  - Engineering insurance provides coverage for builders' risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance;
  - Property insurance provides cover against accidental physical loss or damage to the property due to any cause including fire and allied perils and consequential losses associated with the perils insured;
  - Other general insurance segment comprises of marine, credit, fidelity guarantee insurance and liability;
- Protection and saving segment includes a variety of savings products designed to meet the needs of individuals as well as corporate institutions.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from 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 surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

No inter-segment transactions occurred during the year, if any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

## Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant as Saudi Riyals is pegged to US dollars.

## Offsetting

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

## Trade date accounting

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

## 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. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

## 4. CASH AND CASH EQUIVALENTS

	2021 (SAR)			2020 (SAR)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Bank balances and cash	40,032,921	70,946,724	110,979,645	7,605,027	137,406,667	145,011,694
Deposits maturing within 3 months from the acquisition date	-	49,999,999	49,999,999	-	180,034,531	180,034,531
	40,032,921	120,946,723	160,979,644	7,605,027	317,441,198	325,046,225

Deposits are maintained with financial institutions and have a maturity of three months or less from the date of acquisition. These deposits earn commission at an average rate of 2.35% per annum as at 31 December 2021 (2020: 0.8% per annum).

Bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology. Bank balances and deposits includes SR 154 million maintained with Banque Saudi Fransi (a shareholder) (2020: SR 310 million) (Note 23).

## 5. PREPAID EXPENSES AND OTHER ASSETS

	2021 (SAR)			2020 (SAR)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Third party administrator						
receivables	133,960,696	-	133,960,696	60,559,859	-	60,559,859
Advance to agents and brokers	13,182,168	-	13,182,168	10,446,720	-	10,446,720
Receivable for unit linked investments	6,550,631	-	6,550,631	5,212,573	-	5,212,573
Accrued investment income	1,919,833	3,516,223	5,436,056	4,891,886	11,208,061	16,099,947
Receivable from Manafeth	2,194,942	-	2,194,942	1,317,412	-	1,317,412
Advances to employees	1,365,736	-	1,365,736	1,181,580	-	1,181,580
Prepaid rent	80,082	-	80,082	324,720	-	324,720
VAT receivable (Note 19d)	27,788,197	-	27,788,197	45,921,084	-	45,921,084
Other assets	11,650,706	-	11,650,706	3,026,881	-	3,026,881
	198,692,991	3,516,223	202,209,214	132,882,715	11,208,061	144,090,776

## 6. PREMIUMS RECEIVABLE, NET

Premiums receivable:	2021 SAR	2020 SAR
Policyholders	73,469,967	145,169,592
Brokers and agents	275,753,682	273,712,382
Other shareholders (Note 23)	58,819,310	43,329,697
	408,042,959	462,211,671
Provision for doubtful receivables	(61,712,179)	(57,822,881)
Premiums receivable, net	346,330,780	404,388,790

The ageing analysis of premiums receivable balances is set out below:

31 December 2021	Past due but not impaired	Past due and impaired		Total
	Less than 90 days	90 to 180 days	More than 180 days	
Amount in SR				
Premiums receivable from insurance contracts	129,365,762	73,688,530	79,088,122	282,142,414
Provision for doubtful receivables		(11,053,280)	(50,658,899)	(61,712,179)
Premiums receivable from past due insurance contracts, net	129,365,762	62,635,250	28,429,223	220,430,235
Neither past due nor impaired				25,882,363
Premiums receivables under fronting arrangements*				100,018,182
Premiums receivable, net				346,330,780

31 December 2020	Past due but not impaired	Past due and impaired		Total
	Less than 90 days	90 to 180 days	More than 180 days	
Amount in SR				
Premiums receivable from insurance contracts	220,128,247	28,797,631	119,326,539	368,252,417
Provision for doubtful receivables	-	(4,319,645)	(53,503,236)	(57,822,881)
Premiums receivable from past due insurance contracts, net	220,128,247	24,477,986	65,823,303	310,429,536
Neither past due nor impaired				10,933,829
Premiums receivables under fronting arrangements*				83,025,425
Premiums receivable, net				404,388,790

\*Premiums receivable under fronting arrangements are insurance contracts under which the Company passes all the risks including the clients' credit risk to other insurance/reinsurance companies. Such arrangements are made between global clients and entities of Allianz Group under which Allianz Saudi Fransi provides the insurance service for the entity located in the Kingdom of Saudi Arabia.

The Company classifies balances as "past due and impaired" on a case by case basis and an impairment adjustment is recorded in the statement of income. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.

Corporate premium receivables are with counterparties with a sound credit profile. The five largest customers accounts for 27.5% (31 December 2020: 14%) of the premiums receivable as at 31 December 2021.

The movement in the allowance for doubtful receivables is as follows:

	2021 SAR	2020 SAR
Balance at the beginning of the year	57,822,881	55,086,915
Provided during the year	3,889,298	3,307,429
Write-offs	-	(571,463)
Balance at the end of the year	61,712,179	57,822,881

## 7. REINSURANCE BALANCES

Reinsurance balances receivable:	2021 SAR	2020 SAR
Receivables from reinsurers	89,167,148	79,054,779
Provision for doubtful reinsurers' receivables	(5,387,741)	(5,025,735)
Reinsurers receivable, net	83,779,407	74,029,044

The movement in the allowance for doubtful reinsurance receivable is as follows:

Balance at the beginning of the year	5,025,735	5,027,110
(Reversal) / provided during the year	362,006	(1,375)
Balance at the end of the year	5,387,741	5,025,735

Reinsurance receivables are with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest reinsurers accounts for 51.6% (31 December 2020: 37%) of the reinsurance receivable as at 31 December 2021.

Reinsurance balances payable:	2021 SAR	2020 SAR
Reinsurance balances due to other parties	205,760,783	137,307,363
Reinsurance balances due to related parties (Note 23)	40,305,654	64,908,679
Total reinsurers' balances payable	246,066,437	202,216,042



## 8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### 8.1. Right-of-use assets

The following table presents the right-of-use assets for the Company:

	2021 SAR	2020 SAR
Balance at the beginning of the period/year	3,730,142	6,776,228
Amortization	(2,885,949)	(3,046,086)
Balance at the end of the period/year	844,193	3,730,142

### 8.2. Lease Liabilities

The following table represents the movement of lease liabilities for the Company:

	2021 SAR	2020 SAR
Opening balance	3,362,331	5,784,231
Finance costs	447,261	472,439
Lease rental payments	(2,811,788)	(2,894,339)
Balance at the end of the period/year	997,804	3,362,331

	2021 SAR	2020 SAR
Current	534,954	2,140,235
Non current	462,850	1,222,096
Balance at the end of the year	997,804	3,362,331

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME (UNIT LINKED INVESTMENTS)

The fair values for unit linked investments as at 31 December are:

	2021 SAR	2020 SAR
Local funds	493,814,654	510,854,914
Foreign funds	21,413,270	13,204,907
	515,227,924	524,059,821

Portfolios of the funds are as follows:

	2021 SAR	2020 SAR
Al Badr Fund Saudi Riyal	206,921,848	214,939,829
Al Ghad/Al Anjal Low Risk Fund	174,382,119	194,040,409
Al Saffa Equity Fund	85,685,343	65,645,593
Al Ghad/Al Anjal Murabaha Fund	21,244,114	24,620,046
Al Badr Fund US Dollar	14,958,749	14,759,726
Al Danah GCC Equity Fund	6,663,857	5,260,620
Saudi Istithmar Fund	3,546,574	2,855,998
Money Market Fund Saudi Riyal	1,825,320	1,937,600
	515,227,924	524,059,821

Unit linked assets are related to investments in unit linked funds. The Company has established unit linked liabilities which, excluding some timing differences and reserves, match exactly with the policyholder's unit linked assets.

The fair value of unit linked investments are measured based on the net assets value provided by fund manager. As the values of these investments are available from the market, the Company uses Level 2 hierarchy for determining and disclosing the fair value of above unit linked investments and for private equity fund the Company uses Level 3 hierarchy for determining and disclosing the fair value.

## 10. AVAILABLE FOR SALE INVESTMENTS

a) Investments are classified as follows:

Insurance operations:	Domestic		International		Total	
	2021 SAR	2020 SAR	2021 SAR	2020 SAR	2021 SAR	2020 SAR
Debt instruments	129,672,955	133,514,401	5,151,656	5,253,495	134,824,611	138,767,896
Equities and mutual funds	7,819,802	7,941,541	-	-	7,819,802	7,941,541
	137,492,757	141,455,942	5,151,656	5,253,495	142,644,413	146,709,437

Shareholders' operations	Domestic		International		Total	
	2021 SAR	2020 SAR	2021 SAR	2020 SAR	2021 SAR	2020 SAR
Debt instruments	393,037,289	235,930,780	8,367,921	12,832,218	401,405,210	248,762,998
Equities and mutual funds	3,223,078	3,223,078	5,678,630	5,786,078	8,901,708	9,009,156
	396,260,367	239,153,858	14,046,551	18,618,296	410,306,918	257,772,154

Total	Domestic		International		Total	
	2020 SAR	2019 SAR	2020 SAR	2019 SAR	2020 SAR	2019 SAR
Debt instrument	522,710,244	369,445,181	13,519,577	18,085,713	536,229,821	387,530,894
Equities and mutual funds	11,042,880	11,164,619	5,678,630	5,786,078	16,721,510	16,950,697
	533,753,124	380,609,800	19,198,207	23,871,791	552,951,331	404,481,591

Available for sale investments includes amount of SR 800,000 with related party (2020: SR 800,000) (Note 23).

b) Movement in available for sale investment balance is as follows:

Insurance operations:	(SAR)		
	Quoted securities	Unquoted securities	Total
As of 1 January 2020	141,316,089	-	141,316,089
Amortization	(256,123)	-	(256,123)
Unrealized gain on fair value	5,649,471	-	5,649,471
As at 31 December 2020	146,709,437	-	146,709,437
As of 1 January 2021	146,709,437	-	146,709,437
Amortization	(254,285)	-	(254,285)
Unrealized loss on fair value	(3,810,739)	-	(3,810,739)
As at 31 December 2021	142,644,413	-	142,644,413

The cumulative unrealised gain in fair value of available for sale investments amounts to SR 5,781,825 (31 December 2020: SR 9,592,564). The quoted securities includes mutual funds listed on Tadawul for NAV disclosure purposes amounting to SR 4,644,235 (31 December 2020: SR 4,836,936).

Shareholders' operations:	(SAR)		
	Quoted securities	Unquoted securities	Total
As of 1 January 2020	205,730,648	38,432,763	244,163,411
Purchases	-	30,000,000	30,000,000
Disposals/maturity	(11,250,000)	(15,000,000)	(26,250,000)
Amortization	(390,690)	-	(390,690)
Unrealized gain on fair value	7,877,367	2,372,066	10,249,433
As at 31 December 2020	201,967,325	55,804,829	257,772,154
As of 1 January 2021	201,967,325	55,804,829	257,772,154
Purchases	49,500,000	123,000,000	172,500,000
Disposals/maturity	(13,575,000)	-	(13,575,000)
Amortization	(288,887)	-	(288,887)
Unrealized loss on fair value	(7,320,229)	1,218,880	(6,101,349)
As at 31 December 2021	230,283,209	180,023,709	410,306,918

The cumulative unrealised gain in fair value of available for sale investments amounts to SR 13,782,253 (31 December 2020: SR 19,884,950). The quoted securities includes mutual funds amounting to SR 5,678,630 (31 December 2020: SR 5,786,078).

## 11. DEFERRED TAX ASSETS, NET

The fair values for unit linked investments as at 31 December are:

	December 31, 2021	December 31, 2020
Deferred tax assets, net	7,668,495	5,825,970

Movement in deferred tax asset balance is as follows:

SR	December 31, 2021	December 31, 2020
At the beginning of the year	5,825,970	6,961,507
Deferred tax income - statement of income (note 19)	789,976	552,513
Deferred tax income/(expense) - statement of comprehensive income	1,052,549	(1,688,050)
At the end of the year	7,668,495	5,825,970

This deferred tax arises on employees' end of service obligations, provision against premium receivable, provision against reinsurance receivable, unabsorbed tax losses, fair value reserve on investments and property and equipment.

## 12. PROPERTY AND EQUIPMENT

Cost:	Computer and office equipment SAR	Motor vehicles SAR	Furniture and fittings SAR	Leasehold improvements SAR	Total 2021 SAR	Total 2020 SAR
At the beginning of the year	18,808,257	1,418,093	10,424,716	1,580,509	32,231,575	27,611,195
Additions during the year	1,342,073	217,764	404,404	341,060	2,305,301	4,765,982
Disposals during the year	(359,039)	(197,800)	(103,775)	-	(660,614)	(145,602)
At the end of the year	19,791,291	1,438,057	10,725,345	1,921,569	33,876,262	32,231,575
Accumulated depreciation:						
At the beginning of the year	13,125,336	1,046,241	7,800,732	731,680	22,703,989	19,592,415
Charge for the year (Note 22)	2,213,041	195,240	1,112,826	343,122	3,864,229	3,257,176
Disposals during the year	(359,039)	(197,800)	(103,775)	-	(660,614)	(145,602)
At the end of the year	14,979,338	1,043,681	8,809,783	1,074,802	25,907,604	22,703,989
Net book value at 31 December 2021	4,811,953	394,376	1,915,562	846,767	7,968,658	
Net book value at 31 December 2020	5,682,921	371,852	2,623,984	848,829		9,527,586

## 13. STATUTORY DEPOSIT

In compliance with the Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SR 60 million (31 December 2020 is SR 60 million) in a bank designated by SAMA (Note 20). The accrued income on the deposit as at 31 December 2021 is SR 1,579,858 (31 December 2020: SR 1,572,445 ) and has been disclosed in assets as "Accrued income on statutory deposit" and the corresponding commission is shown in liabilities as "Accrued income payable to SAMA". This deposit cannot be withdrawn without SAMA's consent. The statutory deposit is maintained with Banque Saudi Fransi, a shareholder of the Company and rated "BBB+" by Standard and Poor's and Moody's ratings methodology.

## 14. TECHNICAL RESERVES

### 14.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2021 SAR	2020 SAR
Gross outstanding claims	522,926,925	598,723,172
Less: Realizable value of salvage and subrogation	(12,887,506)	(24,489,604)
	510,039,419	574,233,568
Claims incurred but not reported	108,652,961	123,799,018
Premium deficiency reserve	5,960,779	9,039,013
Additional premium reserves	4,411,285	1,385,708
Unit linked liabilities	509,896,334	518,114,351
	1,138,960,778	1,226,571,658
Less:		
- Reinsurers' share of outstanding claims	(441,962,088)	(501,314,767)
- Reinsurers' share of claims incurred but not reported	(52,137,423)	(57,566,257)
	(494,099,511)	(558,881,024)
Net outstanding claims and reserves	644,861,267	667,690,634

### 14.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2021 (SAR)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	266,364,432	(103,362,771)	163,001,661
Premium written during the year	763,115,103	*(311,134,647)	451,980,456
Premium earned during the year	(701,985,969)	285,559,943	(416,426,026)
Balance as at the end of the year	327,493,566	(128,937,475)	198,556,091

\*This amount includes SR 293,165,763 for reinsurance premium ceded abroad, SR 1,169,813 for reinsurance premium ceded locally and SR 16,799,071 for excess of loss expenses.

	2020 (SAR)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	408,698,330	(152,377,585)	256,320,745
Premium written during the year	674,731,117	*(250,026,185)	424,704,932
Premium earned during the year	(817,065,015)	299,040,999	(518,024,016)
Balance as at the end of the year	266,364,432	(103,362,771)	163,001,661

\*This amount includes SR 233,697,568 for reinsurance premium ceded abroad, SR 1,844,048 for reinsurance premium ceded locally and SR 14,484,569 for excess of loss expenses

### 14.3 Movement in deferred policy acquisition costs

	2021 SAR	2020 SAR
Balance as at the beginning of the year	12,903,209	26,919,550
Incurred during the year	45,513,409	41,055,258
Amortized during the year	(37,667,016)	(55,071,599)
Balance as at the end of the year	20,749,602	12,903,209

## 15. ACCRUED AND OTHER LIABILITIES

	2021 SAR			2020 SAR		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Payables to policyholders	44,509,233	-	44,509,233	64,508,147	-	64,508,147
Accrued third party administrator fees	10,719,305	-	10,719,305	51,125,043	-	51,125,043
Commission payable	30,120,500	-	30,120,500	26,909,859	-	26,909,859
Accrued bonus	3,506,610	-	3,506,610	6,599,624	-	6,599,624
Inspection and supervision fees	1,877,366	-	1,877,366	1,136,124	-	1,136,124
Others	11,561,595	1,324,619	12,886,214	12,806,495	2,347,493	15,153,988
	102,294,609	1,324,619	103,619,228	163,085,292	2,347,493	165,432,785

## 16. SURPLUS DISTRIBUTION PAYABLE

	2020 (SAR)	2019 (SAR)
Balance at the beginning of the year	15,092,678	15,687,466
Total income attributed to the insurance operations during the year	866,159	-
Surplus written back	(3,803,941)	-
Surplus paid to policyholders	(338,827)	(594,788)
Balance at the end of the year	11,816,069	15,092,678

## 17. UNEARNED REINSURANCE COMMISSION

	2020 (SAR)	2019 (SAR)
Balance at the beginning of the year	2,829,659	7,347,773
Commission received during the year	3,387,057	5,294,510
Commission earned during the year	(4,868,942)	(9,812,624)
Balance at the end of the year	1,347,774	2,829,659

## 18. EMPLOYEES' END OF SERVICE OBLIGATIONS

a) The movement in provision for employees' end of service benefits for the years ended 31 December are as follows:

	2020 (SAR)	2019 (SAR)
Defined benefit obligation at the beginning of the year	19,019,582	16,847,898
Provided during the year:		
Current service cost	3,382,899	3,723,039
Interest cost	357,149	398,988
Curtailment / settlement Gain / Loss	(1,242,605)	-
	2,497,443	4,122,027
Paid during the year	(2,691,329)	(2,181,001)
Actuarial reserve for employee benefits	205,126	230,658
Defined benefit obligation at the end of the year	19,019,582	16,847,898

#### b) Principal actuarial assumptions:

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	2021	2020
Discount rate used for valuation	2.10%	2.06%
Salary increase rate	2.10%	3.06%
Duration (years)	5.16	5.12

#### c) Sensitivity analysis

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

	2021 (SAR)	2020 (SAR)
<b>Valuation discount rate</b>		
• Increase by 1%	905,937	908,125
• Decrease by 1%	1,010,567	1,014,993
<b>Future salary growth</b>		
• Increase by 1%	1,095,893	1,090,111
• Decrease by 1%	1,001,182	995,081
<b>Mortality rate</b>		
• Increase by 1 year	1,518	3,059
• Decrease by 1 year	1,514	3,048
<b>Withdrawal rate</b>		
• Increase by 10%	225,781	345,611
• Decrease by 10%	249,222	392,426

## 19. ZAKAT AND INCOME TAX

A summary of the Company's share capital and percentages of ownership are as follows:

	31 December 2021		31 December 2020	
	SAR	%	SAR	%
Non-Saudi Shareholders	318,540,000	53.09%	106,180,000	53.09%
Saudi and GCC Shareholders	281,460,000	46.91%	93,820,000	46.91%
Total	600,000,000	100%	200,000,000	100%

The Company's zakat and income tax calculations and corresponding accruals and payments of zakat and income tax are based on the mentioned ownership percentages in accordance with the relevant provisions of the Saudi Arabian zakat and income tax regulations.

The provision for zakat and income tax as at year end is as follows:

	2021 (SAR)	2020 (SAR)
Provision for zakat	14,794,202	10,718,945
Provision for income tax	6,326,530	3,980,577
	21,120,732	14,699,522

The zakat and income tax charge for year is as follows:

	2021 (SAR)	2020 (SAR)
Zakat charge		
- Current year	8,682,198	4,617,823
- Prior year	626,993	5,649,918
	9,309,191	10,267,741
Income tax for the year		
- Current tax	2,346,681	-
- Deferred tax	(789,976)	(552,513)
	1,556,705	(552,513)
	10,865,896	9,715,228

#### (a) Zakat

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

	2020 (SAR)	2019 (SAR)
Opening share capital	600,000,000	200,000,000
Reserves and opening provisions	217,502,217	290,432,016
Closing value of long term assets	(88,359,449)	(99,713,544)
	729,142,768	390,718,472
Zakatable income for the year	11,144,319	(10,202,949)
Zakat base	740,287,087	380,515,523
Total Saudi share of zakat base	347,287,920	179,955,066
Zakat due on Saudi shareholding	8,682,198	4,617,823

The differences between the income as per financial statements and the zakatable income are mainly due to provisions which are not allowed in the calculation of zakatable income.

#### (b) Income tax

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

	2020 (SAR)	2019 (SAR)
Net income / (Loss) for the year before attribution	16,485,325	(17,632,405)
Add: Inadmissible expenses	10,612,976	10,686,632
Less: Admissible expenses	(4,996,256)	(5,085,870)
Adjusted income	22,102,045	(12,031,643)
Non-Saudi shareholders	11,733,400	(6,387,599)
Adjustments	-	(3,950)
Adjusted income attributed to non-Saudi shareholders	11,733,400	(6,391,549)
Provision for income tax (20%)	2,346,681	-

#### (c) Movement in zakat and income tax payable is as follows

	2020 (SAR)	2019 (SAR)
Balance at the beginning of the year	14,699,522	28,432,189
Provided during the year – zakat	9,309,191	10,267,741
Provided during the year – income tax	2,346,681	-
Payment made during the year – zakat	(5,233,934)	(19,792,038)
Payment made during the year – income tax	(728)	(4,208,370)
Balance at the end of the year	21,120,732	14,699,522

#### (d) Status of assessments

The Company has filed the zakat and income tax declarations for all the years up to December 31, 2020. The Company finalized its zakat and tax position for all the years up to December 31, 2014 and also for the years 2019 and 2020.



The final tax and zakat assessment for the years 2015 to 2018 has been issued by the ZATCA during the year ended December 31, 2020 which resulted in additional zakat and tax liability of SR 13.7 million arising mainly from the non-deduction of long-term investments from the zakat base. The Company has filed an appeal with the Tax Committees for Resolution of Income Tax Violations and Disputes (Level 1) against the ZATCA's revised assessment. The Company has accounted for this additional zakat and income tax liability in the provision in the financial statements. The company received final zakat and income tax assessment for the years 2019 and 2020 which resulted in additional zakat and tax liability of SR 1.1 million which has been settled and the assessments are finalized.

The finalization of the assessment is not expected to have material impact on the financial statements.

Prepaid expenses and other assets include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and Customs Authority ("ZATCA") for 2018 and 2019 financial years amounting to Saudi Riyals SR 31 million. The payments were made to ZATCA to avoid penalties. However, the Company has submitted objections to the ZATCA assessment. The ZATCA has partially accepted the objection and the company has filed an appeal for the remaining amount of SR 27.8 million to the General Secretariat of the Tax Committees ("GSTC"). The case was heard in July 2021 in which the GSTC ruled in favor of the ZATCA. Following review of the final judgement / reasoning for the GSTC's decision, the Company decided to appeal the case to GSTC Level 2, which was submitted on 10 October 2021. The Company's management believes that there is strong basis that the decision of the appeal would be in the favor of the Company.

The Company is in the process of filing zakat and tax returns for the year ended 31 December 2021 with the ZATCA.

## 20. SHARE CAPITAL

The authorised and issued share capital of the Company is SR 600 million divided into 60 million shares of SR 10 each (December 31, 2020: SR 600 million divided into 60 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 39 million shares with a nominal value of SR 10 each, which represents 65% of the shares of the Company's capital and the remaining 21 million shares with a nominal value of SR 10 each have been subscribed by general public. The Company has increased its share capital through right issue from SR 200 million to SR 600 million during the year 2020.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	2021 (SAR)	
	No. of shares	Authorized, issued and paid up capital
Allianz Europe BV	11.10 Million	111 Million
Allianz France International	9.75 Million	97.5 Million
Allianz Mena Holding Bermuda	9.75 Million	97.5 Million
Banque Saudi Fransi	8.40 Million	84 Million
Public	21.00 Million	210 Million
	60 Million	600 Million

	2020 (SAR)	
	No. of shares	Authorized, issued and paid up capital
Allianz Europe BV	11.10 Million	111 Million
Allianz France International	9.75 Million	97.5 Million
Allianz Mena Holding Bermuda	9.75 Million	97.5 Million
Banque Saudi Fransi	8.40 Million	84 Million
Public	21.00 Million	210 Million
	60 Million	600 Million

## 21. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain stable capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

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

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

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

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2021 consists of paid-up share capital of SR 600 million, share premium of SR 16.3 million, statutory reserves of SR 21.9 million and retained earnings of SR 52.6 million (31 December 2020: paid-up share capital of SR 600 million, share premium of SR 16.3 million, statutory reserves of SR 20.7 million and retained earnings of SR 47.6 million) in the statement of financial position.

The Company has fully complied with the externally imposed capital requirements during the reported financial year.

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

	2021			2020		
	SAR			SAR		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Employees' costs	69,835,366	434,968	70,270,334	89,142,028	660,730	89,802,758
Consultation fees	15,617,798	-	15,617,798	12,648,563	-	12,648,563
Repairs and maintenance	5,909,013	-	5,909,013	6,203,342	-	6,203,342
Employees' end of service obligations (Note 18)	2,497,443	-	2,497,443	4,122,027	-	4,122,027
Rent	3,452,496	-	3,452,496	3,954,512	-	3,954,512
Insurance expenses	3,375,172	-	3,375,172	3,328,056	-	3,328,056
Depreciation (Note 12)	3,864,229	-	3,864,229	3,257,176	-	3,257,176
Postage and telephone	4,676,404	-	4,676,404	3,068,067	-	3,068,067
Board expenses	-	1,858,461	1,858,461	1,432,670	358,168	1,790,838
Travel and transportation	679,047	-	679,047	1,033,894	-	1,033,894
Advertisement and promotion	375,520	-	375,520	616,961	-	616,961
Others	4,251,708	-	4,251,708	6,513,162	-	6,513,162
	114,534,196	2,293,429	116,827,625	135,320,458	1,018,898	136,339,356

## 23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES AND OTHER SHAREHOLDERS

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following

are the details of the major related party transactions during the year and the related balances:

	Transactions during the year		Balance as at	
	2021 SAR	2020 SAR	2021 SAR	2020 SAR
<b>Entities controlled, jointly controlled or significantly influenced by related parties</b>				
Insurance premium ceded	171,715,823	151,395,116		
Reinsurers' share of claims paid	208,084,548	78,582,493		
Commission income	3,934,473	4,475,535		
Third party administrator expenses	4,912,243	7,628,890		
Reinsurers' share of outstanding claims (Treaty)			16,433,467	28,774,542
Accrued third party administrator			4,220,282	6,054,885
Reinsurance balance payable, net (Note 7)			40,305,654	64,908,679
Investments in equity of Saudi NextCare (Note 10)			800,000	800,000
<b>Other shareholders</b>				
- Insurance premium written	75,781,561	68,646,390		
- Claims paid	51,330,237	38,544,132		
- Commission expense	3,136,249	2,433,401		
- Premium receivable (Note 6)			58,819,310	43,329,697
- Outstanding claims			22,051,895	26,371,943
- Cash and cash equivalents (Note 4)			154,408,140	309,910,589
- Unit linked investments managed by shareholders (Note 9)			515,227,924	524,059,821

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, Allianz France, Allianz Global Corporate and Speciality AG, Allianz World Wide Care, Allianz Global risks U.S Insurance, Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand, Dataquest, and Saudi NextCare. The company has various reinsurance treaties and facultative arrangements with related parties. Reinsurers' share of outstanding claims mainly relates to treaties and facultative arrangement with related parties.

Other shareholders include Banque Saudi Fransi and its Group Companies.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended:

2021	BOD members SR	Top executives SR
Salaries and compensation	-	5,783,270
Allowances	546,000	54,000
Annual remuneration	2,732,000	200,000
Employees' end of service obligations	-	220,151
	3,278,000	6,257,421

2020	BOD members SR	Top executives SR
Salaries and compensation	-	8,856,018
Allowances	348,000	18,000
Annual remuneration	-	-
Employees' end of service obligations	-	260,833
	348,000	9,134,851

Also refer notes 4, 6, 7, and 10 for balances with related parties and other shareholders

## 24. CLAIMS DEVELOPMENT TABLE

The following table reflects the net incurred claims including both the net claims notified and net incurred but not reported claims for each accident year (excluding the surrenders for protection and savings insurance products) at each financial position date together with the cumulative payments to date. The development of insurance liabilities provides a measure of

the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from year 2014 onwards whose claim experience has not been fully developed. Claims triangulation analysis by accident years for the last five years is set out below:

a) Claims triangulation analysis – Gross basis

2021 Accident Year	2017 and earlier	2018	2019	2020	2021	Total
<b>Estimate of ultimate claims cost:</b>						
At the end of accident year	1,844,626,992	518,152,198	613,236,843	395,253,383	465,649,823	-
One year later	1,907,356,615	553,350,660	668,028,306	481,055,460	-	-
Two years later	1,993,208,679	551,083,993	661,476,546	-	-	-
Three years later	2,030,848,217	548,623,821	-	-	-	-
Four years later	2,026,439,752	-	-	-	-	-
Current estimate of cumulative claims	2,026,439,752	548,623,821	661,476,546	481,055,460	465,649,823	4,183,245,401
—Cumulative payments to date	(1,804,575,389)	(452,387,468)	(592,322,568)	(421,182,829)	(294,084,768)	(3,564,553,022)
Liability recognised in statement of financial position	221,864,363	96,236,353	69,153,978	59,872,631	171,565,055	618,692,380
Premium deficiency reserve						5,960,779
Outstanding claims and reserves						624,653,159

2020 Accident Year	2016 and earlier	2017	2018	2019	2020	Total
<b>Estimate of ultimate claims cost:</b>						
At the end of accident year	1,254,503,539	447,138,890	519,340,613	613,236,843	503,691,407	-
One year later	1,263,717,403	520,489,517	553,350,660	678,452,101	-	-
Two years later	1,235,949,147	495,906,914	556,545,302	-	-	-
Three years later	1,338,530,360	487,373,240	-	-	-	-
Four years later	1,385,694,599	-	-	-	-	-
Current estimate of cumulative claims	1,385,694,599	487,373,240	556,545,302	678,452,101	503,691,407	3,611,756,649
Cumulative payments to date	(1,144,031,958)	(478,159,202)	(447,168,883)	(566,198,751)	(278,165,269)	(2,913,724,063)
Liability recognised in statement of financial position	241,662,641	9,214,038	109,376,419	112,253,350	225,526,138	698,032,586
Premium deficiency reserve						9,039,013
Outstanding claims and reserves						707,071,599

b) Claims triangulation analysis – Net basis

2021 Accident Year	2017 and earlier	2018	2019	2020	2021	Total
<b>Estimate of ultimate claims cost:</b>						
At the end of accident year	1,029,907,458	358,639,509	473,141,255	230,884,575	231,613,952	-
One year later	1,018,164,885	338,100,943	440,547,354	263,760,236	-	-
Two years later	1,005,424,055	323,638,875	433,516,036	-	-	-
Three years later	956,885,917	318,159,464	-	-	-	-
Four years later	957,507,251	-	-	-	-	-
Current estimate of cumulative net claims	957,507,251	318,159,464	433,516,036	263,760,236	231,613,952	2,204,556,939
Cumulative payments to date	(942,876,111)	(314,062,187)	(424,820,261)	(246,475,919)	(151,729,593)	(2,079,964,070)
Net liability recognised in statement of financial position	14,631,140	4,097,277	8,695,775	17,284,317	79,884,359	124,592,869
Premium deficiency reserve						5,960,779
Outstanding claims and reserves						130,553,648

2020 Accident Year	2016 and earlier	2017	2018	2019	2020	Total
<b>Estimate of ultimate claims cost:</b>						
At the end of accident year	684,744,600	371,264,323	358,639,509	473,141,255	279,694,542	-
One year later	677,692,537	369,382,073	338,100,943	443,910,362	-	-
Two years later	673,331,415	359,758,375	325,545,875	-	-	-
Three years later	671,478,235	341,856,403	-	-	-	-
Four years later	644,139,872	-	-	-	-	-
Current estimate of cumulative net claims	644,139,872	341,856,403	325,545,875	443,910,362	279,694,542	<b>2,035,147,054</b>
Cumulative payments to date	(632,137,728)	(336,362,710)	(313,015,342)	(420,558,177)	(193,921,535)	<b>(1,895,995,492)</b>
Net liability recognised in statement of financial position	12,002,144	5,493,693	12,530,533	23,352,185	85,773,007	<b>139,151,562</b>
Premium deficiency reserve						<b>9,039,013</b>
Outstanding claims and reserves						<b>148,190,575</b>

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
  - in the absence of a principal market, in the most advantages accessible market for the asset or liability
- The management assessed that cash and cash equivalents, accruals and other liabilities and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

### Determination of fair value and fair value hierarchy

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

- Level 1** quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2** quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3** valuation techniques for which any significant input is not based on observable market data.

### a) Carrying amounts and fair value

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

#### 1. Insurance operations

SR 31 December 2021	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Unit linked investments	515,227,924	-	515,227,924	-	515,227,924
Available for sale investments measured at fair value					
Bonds and Sukuks	134,824,611	134,824,611	-	-	134,824,611
Mutual Funds	4,644,235	-	4,644,235	-	4,644,235
Equities	3,175,567	3,175,567	-	-	3,175,567
Unit linked liabilities	(509,896,334)	-	(509,896,334)	-	(509,896,334)
	<b>147,976,003</b>	<b>138,000,178</b>	<b>9,975,825</b>	<b>-</b>	<b>147,976,003</b>

SR 31 December 2020	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Unit linked investments	524,059,821	-	524,059,821	-	524,059,821
Available for sale investments measured at fair value					
Bonds and Sukuks	138,767,896	138,767,896	-	-	138,767,896
Mutual Funds	4,836,936	-	4,836,936	-	4,836,936
Equities	3,104,605	3,104,605	-	-	3,104,605
Unit linked liabilities	(518,114,351)	-	(518,114,351)	-	(518,114,351)
	152,654,907	141,872,501	10,782,406	-	152,654,907

## 2. Shareholders' operations

SR 31 December 2021	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments measured at fair value					
Bonds and Sukuk	401,405,210	224,604,579	176,800,631	-	401,405,210
Mutual Funds	5,678,630	-	5,678,630	-	5,678,630
Equities	3,223,078	-	-	3,223,078	3,223,078
	410,306,918	224,604,579	182,479,261	3,223,078	410,306,918

SR 31 December 2020	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments measured at fair value					
Bonds and Sukuks	248,762,998	196,181,247	52,581,751	-	248,762,998
Mutual Funds	5,786,078	-	5,786,078	-	5,786,078
Equities	3,223,078	-	-	3,223,078	3,223,078
	257,772,154	196,181,247	58,367,829	3,223,078	257,772,154

There were no transfers between Level 1, 2 and Level 3 fair value measurements during the year ended 31 December 2021. During the year ended 31 December 2020 there was a transfer between level 3 to level 1 related to bonds and sukuk that were quoted during the year (please refer note 10).

### b) Measurement of fair values

Valuation technique for quoted debt and equity securities

The valuation of equities and debts securities classified under Level 1 are measured based on closing market price on Tadawul and Bloomberg. The valuation of mutual funds classified under Level 2 is measured based on closing NAV disclosed on Tadawul which is based on the fair value of the underlying items at the year end. The valuation of mutual funds classified under Level 3 is measured based on a valuation technique which is primarily derived by net assets value of the fund at the year end.

Valuation technique for unquoted debt and equity securities

The Discounted Cash Flow Model (DCF) has been used to determine the fair value of debt securities and sukuk of both insurance operations and shareholders' operations under level 3. This model considers the present value of net cash flows to be generated from the debt securities and sukuk discounted at the market yield of treasury bills having similar terms and adjusted for the effect of non-marketability of the debt securities and sukuk which includes Saudi sovereign curve yield and risk premium prevailing in the Saudi market.

Description	Fair value as at Dec 31, 2021 (SR)	Unobservable Inputs	Range of inputs 2021	Relationships of unobservable inputs to fair value
Unquoted Bonds and Sukuks	175,221,550	Risk adjusted discount rate	1.56% - 3.30%	Increase risk premium of 10 bps will have a change in fair value of these debt securities of SR 0.28 million.

### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

Insurance operations	2021 SR	2020 SR
Balance at the beginning of the year	-	-
Disposals/maturity	-	-
Amortization	-	-
Unrealized gain / (loss) on fair value	-	-
Transfer from level 3 to level 1	-	-
Balance at the end of the year	-	-

Shareholders' operations	2021 SR	2020 SR
Balance at the beginning of the year	3,223,078	3,223,078
Purchases	-	-
Disposals/maturity	-	-
Amortization	-	-
Unrealized gain on fair value	-	-
Balance at the end of the year	3,223,078	3,223,078

Sensitivity analysis of Level 2 and 3 investments is as follows:

31 December 2021	Sensitivity factor	Impact on fair value due to increase in sensitivity factor SR	Impact on fair value due to decrease in sensitivity factor SR
Insurance operations			
Bonds and sukuks	+/- 1% change in risk adjusted discount rate	-	-
Shareholder's operations			
Bonds and sukuks	+/- 1% change in risk adjusted discount rate	(1,069,351)	1,069,351
Equities	+/- 1% change in the breakup value of shares	(161,154)	161,154
<b>31 December 2020</b>			
Insurance operations			
Bonds and sukuks	+/- 1% change in risk adjusted discount rate	-	-
Shareholder's operations			
Bonds and sukuks	+/- 1% change in risk adjusted discount rate	(54,878)	54,878
Equities	+/- 1% change in the breakup value of shares	(161,154)	161,154

## 26. BASIC AND DILUTED EARNINGS PER SHARE

Earnings / (loss) per share has been calculated by dividing the earnings / (net loss) for the year by the weighted average number of shares outstanding at the reported date. The weighted average number of shares for the year 2020 have been retrospectively adjusted for all the prior periods to reflect the bonus element of the right issue as required by IAS 33 "Earning per share". The weighted average number of ordinary share for prior period is computed using an adjustment factor of 1.75 which a ratio of theoretical ex-right price of SR 15.98 and the closing price per share of SR 27.95 before the right issue.

	2020	2019
Income / (loss) for the year	5,619,429	(27,347,633)
Weighted average number of shares	60,000,000	32,336,621
Earnings / (loss) for the year	0.09	(0.85)

There are no dilutive potential shares during 2021 and 2020.



## 27. Risk Management

### Risk management strategy

The Company's activities expose it to a variety of financial risks. The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from the Company's core business operations.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed. Consideration is not limited to the risks associated with one class of business but is extended to risks from all other classes.

The Board of Directors and the senior management periodically reviews and updates the risk management strategy by taking into account developments that are internal and external to the Company.

### Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks

### Board of directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

### Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

#### a) Operational risk

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

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

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

#### b) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands.

The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

### Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and

burglary, marine, engineering and public liability risks. These classes except for long term engineering policies are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

## Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in motor and medical.

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

## Protection and Saving

For protection and saving, the main risk is the mortality, morbidity (permanent or temporary disability) of the insured and policyholder behavior risk.

### Mortality risk

Actual policyholder death experience on life insurance policies is higher than expected.

### Morbidity risk

Policyholder health-related claims are higher than expected.

### Policyholder behavior risk

Policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of contracts is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash flows from the business written, potentially affecting Company's ability to recover deferred acquisition expenses.

This is managed through an effective and clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group protection and saving, the mortality risk is compounded due to the concentration of lives, for example employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual family and group protection and saving portfolio is protected through an efficient reinsurance arrangement in accordance with Allianz Group standards. This protects the Company from adverse mortality/morbidity experience. There is a maximum retention per life under the reinsurance arrangement which protects the Company from single large losses. Multiple claims and concentrations of risk are also covered under the arrangement.

## General Insurance

### Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical

screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

#### Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has appropriate risk management procedures to control the cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

#### Property

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has appropriate reinsurance cover for such damage to limit losses for any individual claim. These are covered under proportional and non-proportional treaties.

#### Marine

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim

#### Engineering

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like floods, earthquakes, hailstorms, etc. Selection of risks and proper underwriting are the criteria for this line of business. The Company has appropriate reinsurance cover for such risks to limit losses for any individual claim. These are covered under engineering proportional and non-proportional treaties.

#### Public liability

For public liability insurance, the main risks are legal liabilities of the insured towards third party deaths, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the Company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has appropriate reinsurance cover to limit the losses for any individual claim.

#### Sensitivity analysis

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

A hypothetical 5% change in the claims ratio would impact income annually in aggregate by:

Impact of change in claim ratio by + / - 5%	Effect on income	Effect on income
	2021 SAR	2020 SAR
Motor	8,318,482	14,452,325
Engineering	769,804	573,989
Medical	4,398,829	4,165,837
Property	1,501,386	1,069,288
Other general	1,120,744	964,534
Protection and saving	4,712,059	4,675,228
	20,821,304	25,901,201

Impact of change in average claim cost + / - 5%	Effect on income	Effect on income
	2021 SAR	2020 SAR
Motor	5,586,816	10,543,346
Engineering	207,007	240,016
Medical	3,134,767	2,970,420
Property	120,087	182,317
Other general	321,444	241,767
Protection and saving	6,472,259	5,700,995
	15,842,380	19,878,861

### c) Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

#### Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

#### Process used to decide on assumptions

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

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain ladder method, Bornhuetter - Ferguson method and Expected Loss Ratio Method.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect

their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

#### **d) Reserving and ultimate reserves risk**

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

#### **e) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities when they fall due. The Company has a proper cash management system, where daily cash collection and payments are monitored and reconciled on regular basis. The Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets

## Maturity profile

The table below summarises the expected utilisation or settlement of financial assets and liabilities including receivables/ payables from insurance related assets and liabilities.

31 December 2021 SAR			
Maturity analysis on expected maturity bases			
Assets	Less than one year	More than one year	Total
Cash and cash equivalents	160,979,644	-	160,979,644
Prepaid expenses and other assets	202,209,214	-	202,209,214
Premiums receivable, net	346,330,780	-	346,330,780
Reinsurers' balance receivable, net	83,779,407	-	83,779,407
Reinsurers' share of outstanding claims	441,962,088	-	441,962,088
Reinsurers' share of claims incurred but not reported	52,137,423	-	52,137,423
Financial assets at fair value through statement of income (unit linked investments)	515,227,924	-	515,227,924
Available for sale investments	54,816,532	498,134,799	552,951,331
Statutory deposit	-	60,000,000	60,000,000
Accrued income on statutory deposit	-	1,579,858	1,579,858
	1,857,443,012	559,714,657	2,417,157,669
Liabilities			
Accrued and other liabilities	103,619,228	-	103,619,228
Surplus distribution payable	11,816,069	-	11,816,069
Reinsurers' balances payable	246,066,437	-	246,066,437
Outstanding claims	510,039,419	-	510,039,419
Claims incurred but not reported	108,652,961	-	108,652,961
Lease liabilities	534,953	462,850	997,804
Unit linked liabilities	509,896,334	-	509,896,334
Accrued income payable to SAMA	-	1,579,858	1,579,858
	1,490,625,401	2,042,708	1,492,668,110
31 December 2020 SAR			
Assets	Less than one year	More than one year	Total
Cash and cash equivalents	325,046,225	-	325,046,225
Prepaid expenses and other assets	144,090,776	-	144,090,776
Premiums receivable, net	404,388,790	-	404,388,790
Reinsurers' balance receivable, net	74,029,044	-	74,029,044
Reinsurers' share of outstanding claims	501,314,767	-	501,314,767
Reinsurers' share of claims incurred but not reported	57,566,257	-	57,566,257
Financial assets at fair value through statement of income (unit linked investments)	524,059,821	-	524,059,821
Available for sale investments	13,920,600	390,560,991	404,481,591
Statutory deposit	-	60,000,000	60,000,000
Accrued income on statutory deposit	-	1,572,445	1,572,445
	2,044,416,280	452,133,436	2,496,549,716
Liabilities			
Accrued and other liabilities	165,432,785	-	165,432,785
Surplus distribution payable	15,092,678	-	15,092,678
Reinsurers' balances payable	202,216,042	-	202,216,042
Outstanding claims	574,233,568	-	574,233,568
Claims incurred but not reported	123,799,018	-	123,799,018
Lease liabilities	2,140,235	1,222,096	3,362,331
Unit linked liabilities	518,114,351	-	518,114,351
Accrued income payable to SAMA	-	1,572,445	1,572,445
	1,601,028,677	2,794,541	1,603,823,218

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on residual maturities. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums, reinsurance share of unearned premiums and deferred policy acquisition costs have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

31 December 2021 SAR					
	On Demand	Up to 1 year	2-5 years	More than 5 years	Total
<b>Assets</b>					
Cash and cash equivalents	160,979,644	-	-	-	160,979,644
Prepaid expenses and other assets	-	202,209,214	-	-	202,209,214
Premiums receivable, net	-	346,330,780	-	-	346,330,780
Reinsurers' balance receivable, net	-	83,779,407	-	-	83,779,407
Reinsurers' share of outstanding claims	-	441,962,088	-	-	441,962,088
Reinsurers' share of claims incurred but not reported	-	52,137,423	-	-	52,137,423
Financial assets at fair value through statement of income (unit linked investments)	515,227,924	-	-	-	515,227,924
Available for sale investments	-	54,816,532	361,657,445	136,477,354	552,951,331
Statutory deposit	-	-	-	60,000,000	60,000,000
Accrued income on statutory deposit	-	-	-	1,579,858	1,579,858
	676,207,568	1,181,235,444	361,657,445	198,057,212	2,417,157,669
<b>Liabilities</b>					
Accrued and other liabilities	-	103,619,228	-	-	103,619,228
Surplus distribution payable	11,816,069	-	-	-	11,816,069
Reinsurers' balances payable	-	246,066,437	-	-	246,066,437
Claims incurred but not reported	-	108,652,961	-	-	108,652,961
Outstanding claims	-	510,039,419	-	-	510,039,419
Lease liabilities	-	997,804	-	-	997,804
Unit linked liabilities	509,896,334	-	-	-	509,896,334
Accrued income payable to SAMA	-	-	-	1,579,858	1,579,858
	521,712,403	969,375,849	-	1,579,858	1,492,668,110
Total liquidity gap	154,495,165	211,859,595	361,657,445	196,477,354	924,489,559
31 December 2020 SAR					
	On Demand	Up to 1 year	2-5 years	More than 5 years	Total
<b>Assets</b>					
Cash and cash equivalents	325,046,225	-	-	-	325,046,225
Prepaid expenses and other assets	-	144,090,776	-	-	144,090,776
Premiums receivable, net	-	404,388,790	-	-	404,388,790
Reinsurers' balance receivable, net	-	74,029,044	-	-	74,029,044
Reinsurers' share of outstanding claims	-	501,314,767	-	-	501,314,767
Reinsurers' share of claims incurred but not reported	-	57,566,257	-	-	57,566,257
Financial assets at fair value through statement of income (unit linked investments)	524,059,821	-	-	-	524,059,821
Available for sale investments	-	13,920,600	309,897,004	80,670,162	404,487,766
Statutory deposit	-	-	-	60,000,000	60,000,000
Accrued income on statutory deposit	-	-	-	1,572,445	1,572,445
	849,106,046	1,195,310,234	309,897,004	142,242,607	2,496,555,891

<b>Liabilities</b>					
Accrued and other liabilities	-	165,432,785	-	-	165,432,785
Surplus distribution payable	15,092,678	-	-	-	15,092,678
Reinsurers' balances payable	-	202,216,042	-	-	202,216,042
Outstanding claims	-	574,233,568	-	-	574,233,568
Claims incurred but not reported	-	123,799,018	-	-	123,799,018
Lease liabilities	-	3,362,331	-	-	3,362,331
Unit linked liabilities	518,114,351	-	-	-	518,114,351
Accrued income payable to SAMA	-	-	-	1,572,445	1,572,445
	533,207,029	1,069,043,744	-	1,572,445	1,603,823,218
Total liquidity gap	315,899,017	126,266,490	309,897,004	140,670,162	892,732,673

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

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

- Available for sale investments include investments in mutual funds and sukuk and are held for cash management purposes and expected to be matured/settled within twelve months from the reporting date.
- Cash and bank balances are available on demand.
- Reinsurers' share of outstanding claims majorly pertain to property segment and are generally realized within three to six months based on settlement of balances with reinsurers.

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

- Reinsurers' balances payable are settled as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to be settled within two months in accordance with statutory timelines for payment.
- Accrued and other liabilities are expected to settle within a period of twelve months from the period end date.

#### f) Credit risk

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

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's available for sale investments mainly comprise of debt securities and sukuk. The Company does not have an internal grading mechanism for debt securities. The Company limits its credit risk on debt securities by setting out a minimum acceptable security rating level for such investments.
- The Company's unit linked investments comprise of mutual funds. The Company does not have an internal grading mechanism for mutual funds. The Company limits its credit risk on mutual funds by setting out a minimum acceptable



security rating level for such investments. For unit linked business, the policyholder bears the direct market and credit risk on investment assets in the unit funds and the Company's exposure to credit risk is limited to the extent of the income arising from asset management charges based on the value of assets in the fund.

- Statutory deposit is maintain with a local bank. Accordingly, as a pre-requisite, the bank with whom statutory deposit are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

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

	2021 SAR		
	Insurance Operations	Shareholders' Operations	Total
Cash and cash equivalents	40,032,921	120,946,723	160,979,644
Reinsurers' balances receivable, net	83,779,407	-	83,779,407
Premiums receivable, net	346,330,780	-	346,330,780
Reinsurers' share of outstanding claims	441,962,088	-	441,962,088
Reinsurers' share of claims incurred but not reported	52,137,423	-	52,137,423
Available for sale investments	142,644,413	410,306,918	552,951,331
Statutory deposit	-	60,000,000	60,000,000
Accrued income on statutory deposit	-	1,579,858	1,579,858
	1,106,887,032	592,833,499	1,699,720,531

	2020 SAR		
	Insurance Operations	Shareholders' Operations	Total
Cash and cash equivalents	187,639,558	137,406,667	325,046,225
Reinsurers' balances receivable, net	74,029,044	-	74,029,044
Premiums receivable, net	404,388,790	-	404,388,790
Reinsurance share of outstanding claims	501,314,767	-	501,314,767
Reinsurers' share of claims incurred but not reported	57,566,257	-	57,566,257
Available for sale investments	146,709,437	257,772,154	404,481,591
Statutory deposit	-	60,000,000	60,000,000
Accrued income on statutory deposit	-	1,572,445	1,572,445
	1,371,647,853	456,751,266	1,828,399,119

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure.

#### Credit ratings of investments

Following are the credit ratings of available for sale investments:

Credit quality	Credit Rating Agency	Financial Instrument	2021 SR	2020 SR
+A	S&P/ Moody's	Bonds / Sukuks	-	4,401,600
-A	S&P/ Moody's	Bonds / Sukuks	396,082,998	345,917,956
-BBB	S&P/ Moody's	Sukuks	110,598,447	37,211,338
Unrated	N/A	Equities/Sukuks/Mutual funds	46,269,886	16,950,697
			552,951,331	404,481,591

Further the Company follows a policy regarding selecting reinsurers whose credit rating are A- and higher as per S&P and Fitch ratings. Concentration of credit risk are also mentioned in notes 6 and 7.

#### g) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its bank balances and available for sale - debt securities.

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the profit for one year, based on the floating rate financial assets held at 31 December 2021. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2021 would impact special commission income by approximately SR 700,000 (2020: SR 400,000 ) annually in aggregate.

#### h) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal, foreign exchange gains and losses are not significant and have not been disclosed separately.

The currency exposures of available-for-sale investments are set out below:

Insurance Operations	2021 SR	2020 SR
Saudi Arabian Riyals	13,433,967	13,620,005
US Dollars	129,210,446	133,089,432
	142,644,413	146,709,437

Shareholders Operations	2021 SR	2020 SR
Saudi Arabian Riyals	214,071,178	92,349,756
US Dollars	196,235,740	165,422,398
	410,306,918	257,772,154

#### i) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company is not exposed to fund price risk for unit linked investments since any change in the NAV of the funds will affect the change in unit linked liabilities and the change in the fair value of the funds by the same amount hence, there is no impact on the performance of the Company. The direct market risk is borne by the policyholders.

#### j) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

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

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

#### k) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's market risk exposure relates to its quoted available for sale investments whose values will fluctuate as a result of changes in market prices. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets. The Company also has unquoted equity instruments carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of income will be impacted

A 1% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact equity as set out below:

	Change in market price	Effect on statement of changes in equity SR
2021	%+1	7,390,401
	%-1	(7,390,401)
2020	%+1	6,829,958
	%-1	(6,829,958)

## 28. CONTINGENCIES AND COMMITMENTS

a) The Company's contingencies are as follows:

	2021 SR	2020 SR
Letters of guarantee	15,940,000	15,940,000

b) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

## 29. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2020.

Segment assets do not include cash and cash equivalents, prepaid expenses and other assets, available for sale investments, reinsurance balances, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurers' balances payable, premium deficiency reserve, additional premium reserve, end-of-service obligations, zakat and income tax and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities as at 31 December 2021 and 31 December 2020, its total revenues, expenses, and net income for the year then ended, are as follows:

Motor	:	Motor
Medical	:	Medical
Property and casualty	:	Fire, burglary, money, construction, liability and marine
Protection and saving	:	Group retirement and individual protection and saving

As at 31 December 2021	Motor	Medical	Property and Casualty	Protection and Saving	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
<b>Assets</b>							
Premiums receivable, gross	117,867,610	155,801,302	122,456,519	11,917,528	408,042,959	-	408,042,959
Provision for doubtful debts					(61,712,179)	-	(61,712,179)
Reinsurers' share of outstanding claims	2,245,361	22,366,067	400,264,029	17,086,631	441,962,088	-	441,962,088
Reinsurers' share of claims incurred but not reported	74,936	9,612,928	28,187,224	14,262,335	52,137,423	-	52,137,423
Reinsurers' share of unearned premiums		44,782,756	63,734,509	20,420,210	128,937,475	-	128,937,475
Deferred policy acquisition costs	10,643,656	4,868,612	6,237,912	(1,000,578)	20,749,602	-	20,749,602
Financial assets at fair value through statement of income (unit linked investments)				515,227,924	515,227,924	-	515,227,924
Unallocated assets					351,837,096	726,143,704	1,077,980,800
Total assets							2,583,326,092
<b>Liabilities and Equity</b>							
Outstanding claims	29,613,026	38,966,804	418,599,165	22,860,424	510,039,419	-	510,039,419
Claims incurred but not reported	32,723,271	20,443,101	36,548,059	18,938,530	108,652,961	-	108,652,961
Unearned premium	104,817,559	93,803,085	100,235,288	28,637,634	327,493,566	-	327,493,566
Unearned reinsurance commission			1,334,717	13,057	1,347,774	-	1,347,774
Unit linked liabilities				509,896,334	509,896,334	-	509,896,334
Unallocated liabilities					390,577,805	24,025,209	414,603,014
<b>Equity</b>					9,174,529	702,118,495	711,293,024
Total liabilities and equity							2,583,326,092

For the year ended 31 December 2021	Motor	Medical	Property and Casualty	Protection and Saving	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
Gross written premiums – retail	55,318,655	-	1,696,777	50,146,167	107,161,599	-	107,161,599
Gross written premiums – corporate	72,610,336	199,111,491	175,090,597	91,392,035	538,204,459	-	538,204,459
Gross written premiums – very small entities	4,436,176	5,752	10,431,869	188,414	15,062,212	-	15,062,212
Gross written premiums – small entities	22,874,995	2,932	13,114,397	768,864	36,761,188	-	36,761,188
Gross written premiums – medium entities	34,095,881	2,726	29,987,792	1,839,247	65,925,645	-	65,925,645
Reinsurance premiums ceded	6,001	(99,041,262)	(147,529,596)	(47,770,719)	(294,335,576)	-	(294,335,576)
Excess of loss expenses	(1,955,835)	-	(14,843,236)	-	(16,799,071)	-	(16,799,071)
Fee income from unit linked investments	-	-	-	1,374,634	1,374,634	-	1,374,634
<b>Net written premiums</b>	187,386,209	100,081,639	67,948,600	97,938,642	453,355,090	-	453,355,090
Changes in unearned premiums, net	(21,016,602)	(12,105,058)	(109,936)	(2,322,834)	(35,554,430)	-	(35,554,430)
<b>Net premiums earned</b>	166,369,607	87,976,581	67,838,664	95,615,808	417,800,660	-	417,800,660
Reinsurance commissions	1,776	-	4,603,292	263,874	4,868,942	-	4,868,942
Net claims and other benefits paid	(132,365,273)	(63,022,477)	(7,052,744)	(128,965,787)	(331,406,281)	-	(331,406,281)
Changes in outstanding claims, net	16,618,214	(7,126,633)	(3,675,973)	(974,138)	4,841,470	-	4,841,470
Changes in premium deficiency reserve	1,031,657	2,104,938	-	(58,361)	3,078,234	-	3,078,234
Changes in additional premium reserve	-	(1,943,190)	(762,704)	(319,683)	(3,025,577)	-	(3,025,577)
Changes in claims incurred but not reported, net	4,010,746	7,453,762	(2,242,036)	494,751	9,717,223	-	9,717,223
Change in unit linked liabilities	-	-	-	8,218,017	8,218,017	-	8,218,017
Unrealized loss on unit linked investments	-	-	-	45,308,193	45,308,193	-	45,308,193
Policy acquisition costs	(16,499,399)	(8,135,522)	(11,767,756)	(1,264,339)	(37,667,016)	-	(37,667,016)
Inspection and supervision fees	-	-	-	-	(6,081,066)	-	(6,081,066)
<b>Net underwriting income</b>	39,167,328	17,307,459	46,940,743	18,318,335	115,652,799	-	115,652,799
<b>Unallocated items</b>							
Provision for doubtful debts	-	-	-	-	(4,251,304)	-	(4,251,304)
General and administrative expenses	-	-	-	-	(114,534,196)	(2,293,429)	(116,827,625)
Investment income	-	-	-	-	4,055,682	10,983,327	15,039,009
Other income	-	-	-	-	7,738,605	-	7,738,605
<b>Net income for the year before attribution and zakat and income tax</b>							17,351,484

As at 31 December 2020	Motor	Medical	Property and Casualty	Protection and Saving	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
<b>Assets</b>							
Premiums receivable, gross	196,418,315	110,635,785	128,561,411	26,596,160	462,211,671	-	462,211,671
Provision for doubtful debts	-	-	-	-	(57,822,881)	-	(57,822,881)
Reinsurers' share of outstanding claims	5,110,052	14,770,842	471,585,853	9,848,020	501,314,767	-	501,314,767
Reinsurers' share of claims incurred but not reported	(5,559)	25,203,659	21,807,392	10,560,765	57,566,257	-	57,566,257
Reinsurers' share of unearned premiums	210,709	41,277,120	48,395,981	13,478,961	103,362,771	-	103,362,771
Deferred policy acquisition costs	7,450,865	3,821,722	3,590,495	(1,959,873)	12,903,209	-	12,903,209
Financial assets at fair value through statement of income (unit linked investments)	-	-	-	524,059,821	524,059,821	-	524,059,821
Unallocated assets	-	-	-	-	308,136,453	720,167,326	1,028,303,779
Total assets							2,631,899,394
<b>Liabilities and Equity</b>							
Outstanding claims	49,095,932	24,244,947	486,245,014	14,647,675	574,233,568	-	574,233,568
Claims incurred but not reported	36,653,523	43,487,589	27,926,194	15,731,712	123,799,018	-	123,799,018
Unearned premium	84,011,668	78,192,392	84,786,822	19,373,550	266,364,432	-	266,364,432
Unearned reinsurance commission	1,776	-	2,815,221	12,662	2,829,659	-	2,829,659
Unit linked liabilities	-	-	-	518,114,351	518,114,351	-	518,114,351
Unallocated liabilities	-	-	-	-	413,200,646	18,619,460	431,820,106
<b>Equity</b>	-	-	-	-	13,190,394	701,547,866	714,738,260
Total liabilities and equity							2,631,899,394

For the year ended 31 December 2020	Motor	Medical	Property and Casualty	Protection and Saving	Insurance Operations	Shareholders' Operations	Total
Saudi Riyals							
Gross written premiums – retail	40,468,783	-	35,331,077	56,805,513	132,605,373	-	132,605,373
Gross written premiums – corporate	81,541,315	173,944,515	96,851,491	66,935,163	419,272,485	-	419,272,485
Gross written premiums – very small entities	3,900,678	160,799	1,554,969	372,624	5,989,071	-	5,989,071
Gross written premiums – small entities	22,317,982	906,857	22,435,136	264,571	45,924,546	-	45,924,546
Gross written premiums – medium entities	33,628,317	1,279,806	34,526,490	1,505,031	70,939,643	-	70,939,643
Reinsurance premiums ceded	(282,880)	(94,902,475)	(109,455,119)	(30,901,142)	(235,541,616)	-	(235,541,616)
Excess of loss expenses	(3,187,533)	-	(11,297,036)	-	(14,484,569)	-	(14,484,569)
Fee income from unit linked investments	-	-	-	1,242,769	1,242,769	-	1,242,769
<b>Net written premiums</b>	178,386,662	81,390,500	69,947,008	96,223,531	425,947,701	-	425,947,701
Changes in unearned premiums, net	110,659,835	1,926,247	(17,790,800)	(1,476,198)	93,319,084	-	93,319,084
<b>Net premiums earned</b>	289,046,497	83,316,747	52,156,208	94,747,333	519,266,785	-	519,266,785
Reinsurance commissions	32,789	4,690	9,162,917	612,228	9,812,624	-	9,812,624
Net claims and other benefits paid	(237,986,250)	(50,117,866)	(6,304,519)	(109,237,309)	(403,645,944)	-	(403,645,944)
Changes in outstanding claims, net	31,761,634	1,075,613	(3,381,127)	(1,636,375)	27,819,745	-	27,819,745
Changes in premium deficiency reserve	6,474,422	(2,448,198)	-	(1,333,904)	2,692,320	-	2,692,320
Changes in additional premium reserve	-	-	(16,388)	-	(16,388)	-	(16,388)
Changes in claims incurred but not reported, net	(4,642,310)	(10,366,149)	(3,596,353)	(3,146,221)	(21,751,033)	-	(21,751,033)
Change in unit linked liabilities	-	-	-	17,300,766	17,300,766	-	17,300,766
Unrealized loss on unit linked investments	-	-	-	14,182,293	14,182,293	-	14,182,293
Policy acquisition costs	(24,132,663)	(9,815,484)	(17,282,713)	(3,840,739)	(55,071,599)	-	(55,071,599)
Inspection and supervision fees	-	-	-	-	(5,136,631)	-	(5,136,631)
<b>Net underwriting income</b>	60,554,119	11,649,353	30,738,025	7,648,072	105,452,938	-	105,452,938
<b>Unallocated items</b>							
Provision for doubtful debts	-	-	-	-	(3,306,054)	-	(3,306,054)
General and administrative expenses	-	-	-	-	(135,320,458)	(1,018,898)	(136,339,356)
Investment income	-	-	-	-	3,958,402	7,483,712	11,442,114
Other income	-	-	-	-	5,117,953	-	5,117,953
<b>Net loss for the year before attribution and zakat and income tax</b>							(17,632,405)

## 30. SUPPLEMENTARY INFORMATION

### a) Statement of financial position

	31 December 2021			31 December 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	40,032,921	120,946,723	160,979,644	187,639,558	137,406,667	325,046,225
Prepaid expenses and other assets	198,692,991	3,516,223	202,209,214	132,882,715	11,208,061	144,090,776
Premiums receivable, net	346,330,780	-	346,330,780	404,388,790	-	404,388,790
Reinsurers' balance receivable, net	83,779,407	-	83,779,407	74,029,044	-	74,029,044
Reinsurers' share of outstanding claims	441,962,088	-	441,962,088	501,314,767	-	501,314,767
Reinsurers' share of claims incurred but not Reported	52,137,423	-	52,137,423	57,566,257	-	57,566,257
Reinsurers' share of unearned premiums	128,937,475	-	128,937,475	103,362,771	-	103,362,771
Deferred policy acquisition costs	20,749,602	-	20,749,602	12,903,209	-	12,903,209
Right-of-use assets	844,193	-	844,193	3,730,142	-	3,730,142
Financial assets at fair value through statement of income (unit linked investments)	515,227,924	-	515,227,924	524,059,821	-	524,059,821
Available for sale investments	142,644,413	410,306,918	552,951,331	146,709,437	257,772,154	404,481,591
Deferred tax assets, net	-	7,668,495	7,668,495	-	5,825,970	5,825,970
Property and equipment	7,968,658	-	7,968,658	9,527,586	-	9,527,586
Statutory deposit	-	60,000,000	60,000,000	-	60,000,000	60,000,000
Accrued income on statutory deposit	-	1,579,858	1,579,858	-	1,572,445	1,572,445
Due to/from insurance operation/shareholders operation*	(122,125,487)	122,125,487	-	(246,382,029)	246,382,029	-
<b>TOTAL ASSETS</b>	<b>1,857,182,388</b>	<b>726,143,704</b>	<b>2,583,326,092</b>	<b>1,911,732,068</b>	<b>720,167,326</b>	<b>2,631,899,394</b>
<b>LIABILITIES</b>						
Accrued and other liabilities	102,294,609	1,324,619	103,619,228	163,085,292	2,347,493	165,432,785
Surplus distribution payable	11,816,069	-	11,816,069	15,092,678	-	15,092,678
Reinsurers' balances payable	246,066,437	-	246,066,437	202,216,042	-	202,216,042
Unearned premiums	327,493,566	-	327,493,566	266,364,432	-	266,364,432
Unearned reinsurance commission	1,347,774	-	1,347,774	2,829,659	-	2,829,659
Outstanding claims	510,039,419	-	510,039,419	574,233,568	-	574,233,568
Claims incurred but not reported	108,652,961	-	108,652,961	123,799,018	-	123,799,018
Lease liabilities	997,804	-	997,804	3,362,331	-	3,362,331
Premium deficiency reserve	5,960,779	-	5,960,779	9,039,013	-	9,039,013
Additional premium reserves	4,411,285	-	4,411,285	1,385,708	-	1,385,708
Unit linked liabilities	509,896,334	-	509,896,334	518,114,351	-	518,114,351
Employees' end-of-service obligations	19,030,822	-	19,030,822	19,019,582	-	19,019,582
Zakat and income tax	-	21,120,732	21,120,732	-	14,699,522	14,699,522
Accrued income payable to SAMA	-	1,579,858	1,579,858	-	1,572,445	1,572,445
<b>TOTAL LIABILITIES</b>	<b>1,848,007,859</b>	<b>24,025,209</b>	<b>1,872,033,068</b>	<b>1,898,541,674</b>	<b>18,619,460</b>	<b>1,917,161,134</b>
<b>EQUITY</b>						
Share capital	-	600,000,000	600,000,000	-	600,000,000	600,000,000
Share premium	-	16,310,624	16,310,624	-	16,310,624	16,310,624
Statutory reserve	-	21,867,493	21,867,493	-	20,743,607	20,743,607
Retained earnings	-	52,172,287	52,172,287	-	47,676,744	47,676,744
Actuarial reserve for end-of-service obligations	3,392,704	-	3,392,704	3,597,830	-	3,597,830
Fair value reserve on investments	5,781,825	11,768,091	17,549,916	9,592,564	16,816,891	26,409,455
<b>TOTAL EQUITY</b>	<b>9,174,529</b>	<b>702,118,495</b>	<b>711,293,024</b>	<b>13,190,394</b>	<b>701,547,866</b>	<b>714,738,260</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,857,182,388</b>	<b>726,143,704</b>	<b>2,583,326,092</b>	<b>1,911,732,068</b>	<b>720,167,326</b>	<b>2,631,899,394</b>

\* This item is not included in the statement of financial position.



## b) Statement of income

	31 December 2021			31 December 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
<b>REVENUES</b>						
Gross premiums written	763,115,103	-	763,115,103	674,731,117	-	674,731,117
Reinsurance premiums ceded abroad	(293,165,763)	-	(293,165,763)	(233,697,568)	-	(233,697,568)
Reinsurance premiums ceded locally	(1,169,813)	-	(1,169,813)	(1,844,048)	-	(1,844,048)
Excess of loss expenses	(16,799,071)	-	(16,799,071)	(14,484,569)	-	(14,484,569)
Fee income from unit linked investments	1,374,634	-	1,374,634	1,242,769	-	1,242,769
<b>Net premiums written</b>	<b>453,355,090</b>	<b>-</b>	<b>453,355,090</b>	<b>425,947,701</b>	<b>-</b>	<b>425,947,701</b>
Changes in unearned premiums	(61,129,134)	-	(61,129,134)	142,333,898	-	142,333,898
Changes in reinsurers' share of unearned premiums	25,574,704	-	25,574,704	(49,014,814)	-	(49,014,814)
<b>Net premiums earned</b>	<b>417,800,660</b>	<b>-</b>	<b>417,800,660</b>	<b>519,266,785</b>	<b>-</b>	<b>519,266,785</b>
Reinsurance commissions	4,868,942	-	4,868,942	9,812,624	-	9,812,624
<b>NET REVENUES</b>	<b>422,669,602</b>	<b>-</b>	<b>422,669,602</b>	<b>529,079,409</b>	<b>-</b>	<b>529,079,409</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(469,821,699)	-	(469,821,699)	(441,541,109)	-	(441,541,109)
Surrenders and maturities	(117,405,672)	-	(117,405,672)	(96,326,838)	-	(96,326,838)
Expenses incurred related to claims	(21,675,126)	-	(21,675,126)	(23,615,412)	-	(23,615,412)
Reinsurers' share of claims paid	277,496,216	-	277,496,216	157,837,415	-	157,837,415
<b>Net claims and other benefits paid</b>	<b>(331,406,281)</b>	<b>-</b>	<b>(331,406,281)</b>	<b>(403,645,944)</b>	<b>-</b>	<b>(403,645,944)</b>
Changes in outstanding claims	64,194,149	-	64,194,149	(41,166,815)	-	(41,166,815)
Changes in reinsurers' share of outstanding claims	(59,352,679)	-	(59,352,679)	68,986,560	-	68,986,560
Change in premium deficiency reserve	3,078,234	-	3,078,234	2,692,320	-	2,692,320
Changes in additional premium reserve	(3,025,577)	-	(3,025,577)	(16,388)	-	(16,388)
Changes in claims incurred but not reported	15,146,057	-	15,146,057	(36,018,576)	-	(36,018,576)
Changes in reinsurers' share of claims incurred but not reported	(5,428,834)	-	(5,428,834)	14,267,543	-	14,267,543
<b>Net claims and other benefits incurred</b>	<b>(316,794,931)</b>	<b>-</b>	<b>(316,794,931)</b>	<b>(394,901,300)</b>	<b>-</b>	<b>(394,901,300)</b>
Changes in unit linked liabilities	8,218,017	-	8,218,017	17,300,766	-	17,300,766
Unrealized gain on unit linked investments	45,308,193	-	45,308,193	14,182,293	-	14,182,293
Policy acquisition costs	(37,667,016)	-	(37,667,016)	(55,071,599)	-	(55,071,599)
Inspection and supervision fees	(6,081,066)	-	(6,081,066)	(5,136,631)	-	(5,136,631)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(307,016,803)</b>	<b>-</b>	<b>(307,016,803)</b>	<b>(423,626,471)</b>	<b>-</b>	<b>(423,626,471)</b>
<b>NET UNDERWRITING INCOME</b>	<b>115,652,799</b>	<b>-</b>	<b>115,652,799</b>	<b>105,452,938</b>	<b>-</b>	<b>105,452,938</b>
<b>OTHER (EXPENSES) / INCOME</b>						
Provision of doubtful debts	(4,251,304)	-	(4,251,304)	(3,306,055)	-	(3,306,055)
General and administrative expenses	(114,534,196)	(2,293,429)	(116,827,625)	(135,320,458)	(1,018,898)	(136,339,356)
Investment income	4,055,682	10,983,327	15,039,009	3,958,402	7,483,712	11,442,114
Other income	7,738,605	-	7,738,605	5,117,954	-	5,117,954
<b>TOTAL OTHER EXPENSE</b>	<b>(106,991,213)</b>	<b>8,689,898</b>	<b>(98,301,315)</b>	<b>(129,550,157)</b>	<b>6,464,814</b>	<b>(123,085,343)</b>
<b>NET (LOSS) / INCOME FOR THE YEAR BEFORE SURPLUS, ZAKAT AND TAX</b>	<b>8,661,586</b>	<b>8,689,898</b>	<b>17,351,484</b>	<b>(24,097,219)</b>	<b>6,464,814</b>	<b>(17,632,405)</b>
Net surplus transferred to shareholders' Operation	(7,795,427)	7,795,427	-	24,097,219	(24,097,219)	-
<b>NET INCOME / (LOSS) FOR THE YEAR AFTER SHAREHOLDERS' APPROPRIATIONS BEFORE ZAKAT AND TAX</b>	<b>866,159</b>	<b>16,485,325</b>	<b>17,351,484</b>	<b>-</b>	<b>(17,632,405)</b>	<b>(17,632,405)</b>
Zakat charge for the year	-	(9,309,191)	(9,309,191)	-	(10,267,741)	(10,267,741)
Income tax (charge) / credit for the year, net	-	(1,556,705)	(1,556,705)	-	552,513	552,513
<b>NET INCOME / (LOSS) AFTER SHAREHOLDERS ATTRIBUTION ZAKAT AND TAX</b>	<b>866,159</b>	<b>5,619,429</b>	<b>6,485,588</b>	<b>-</b>	<b>(27,347,633)</b>	<b>(27,347,633)</b>

c) Statement of comprehensive income

	31 December 2021			31 December 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net (loss) / income for the year after zakat and tax	866,159	5,619,429	6,485,588	-	(27,347,633)	(27,347,633)
Other comprehensive income						
Items that will not be reclassified to statement of income in subsequent years						
• Re-measurement of defined benefit liability employees' end-of-service obligations	(205,126)	-	(205,126)	(230,658)	-	(230,658)
Items that are or may be reclassified to state-ments of income in subsequent years						
Available for sale investments						
• Net change in fair value	(3,810,739)	(6,101,349)	(9,912,088)	5,649,471	10,249,433	15,898,904
• Deferred tax relating to change in fair value	404,601	647,948	1,052,549	(599,827)	(1,088,223)	(1,688,050)
Total comprehensive income for the year	(2,745,105)	166,028	(2,579,077)	4,818,986	(18,186,423)	(13,367,437)
Reconciliation:						
Less: Net income attributable to insurance opera-tions			(866,159)			-
Total comprehensive (loss) / income for the year			(3,445,236)			(13,367,437)

## d) Statement of cash flows

	31 December 2021			31 December 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income / (loss) for the year before surplus, zakat and Tax	866,159	16,485,325	17,351,484	-	(17,632,405)	(17,632,405)
Adjustments for non-cash items and other items:						
Depreciation of property and equipment	3,864,229	-	3,864,229	3,257,176	-	3,257,176
Amortisation of right-of-use assets	2,885,949	-	2,885,949	3,046,086	-	3,046,086
Amortization of investments premium	254,285	288,887	543,172	646,813	-	646,813
Provision of doubtful reinsurance receivables	362,006	-	362,006	(1,375)	-	(1,375)
Gain on sale of property and equipment	(138,454)	-	(138,454)	(3,950)	-	(3,950)
Provision for doubtful receivables and write-offs	3,889,298	-	3,889,298	2,735,966	-	2,735,966
Provision for end-of-service obligations	2,497,443	-	2,497,443	4,122,027	-	4,122,027
Unrealized gain on unit linked investments	(45,308,193)	-	(45,308,193)	(14,182,293)	-	(14,182,293)
Finance cost on lease liabilities	447,261	-	447,261	472,439	-	472,439
Surplus written back	(3,803,941)	-	(3,803,941)	-	-	-
Shareholders' appropriation from insurance operations' surplus*	7,795,427	(7,795,427)	-	(24,097,219)	24,097,219	-
	(26,388,531)	8,978,785	(17,409,746)	(24,004,330)	6,464,814	(17,539,516)
<b>Changes in operating assets and liabilities:</b>						
Reinsurers' balance receivable	(10,112,369)	-	(10,112,369)	(3,491,768)	-	(3,491,768)
Premium receivable	54,168,712	-	54,168,712	13,461,521	-	13,461,521
Reinsurers' share of unearned premiums	(25,574,704)	-	(25,574,704)	49,014,814	-	49,014,814
Reinsurers' share of outstanding claims	59,352,679	-	59,352,679	(68,986,560)	-	(68,986,560)
Reinsurers' share of claims incurred but not reported	5,428,834	-	5,428,834	(14,267,543)	-	(14,267,543)
Deferred policy acquisition costs	(7,846,393)	-	(7,846,393)	14,016,341	-	14,016,341
Unit linked investments	54,140,090	-	54,140,090	28,236,330	-	28,236,330
Prepaid expenses and other assets	(65,810,276)	7,691,838	(58,118,438)	(63,089,175)	(8,511,396)	(71,600,571)
Accrued expenses and other liabilities	(60,790,683)	(1,022,874)	(61,813,557)	13,043,617	1,903,602	14,947,219
Reinsurers' balances payable	43,850,395	-	43,850,395	6,616,919	-	6,616,919
Unearned premiums	61,129,134	-	61,129,134	(142,333,898)	-	(142,333,898)
Unearned reinsurance commission	(1,481,885)	-	(1,481,885)	(4,518,114)	-	(4,518,114)
Unit linked liabilities	(8,218,017)	-	(8,218,017)	(17,300,766)	-	(17,300,766)
Outstanding claims	(64,194,149)	-	(64,194,149)	41,166,815	-	41,166,815
Claims incurred but not reported	(15,146,057)	-	(15,146,057)	36,018,576	-	36,018,576
Premium deficiency reserve	(3,078,234)	-	(3,078,234)	(2,692,320)	-	(2,692,320)
Additional premium reserves	3,025,577	-	3,025,577	16,388	-	16,388
	(7,545,877)	15,647,749	8,101,872	(139,093,153)	(142,980)	(139,236,133)
Employees' end-of-service obligations paid	(2,691,329)	-	(2,691,329)	(2,181,001)	-	(2,181,001)
<b>Surplus paid to policyholders</b>	(338,827)	-	(338,827)	(594,788)	-	(594,788)
Zakat and income tax paid		(5,234,662)	(5,234,662)	-	(24,000,408)	(24,000,408)
<b>Net cash (used in) / generated from operating activities</b>	<b>(10,576,033)</b>	<b>10,413,087</b>	<b>(162,946)</b>	<b>(141,868,942)</b>	<b>(24,143,388)</b>	<b>(166,012,330)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions in available for sale investments	-	(172,500,000)	(172,500,000)	-	(30,000,000)	(30,000,000)
Proceed from sale of available for sale investments	-	13,575,000	13,575,000	-	26,250,000	26,250,000
Proceeds from sale of property and equipment	138,454	-	138,454	3,950	-	3,950
Additions in property and equipment	(2,305,301)	-	(2,305,301)	(4,765,982)	-	(4,765,982)
<b>Net cash used in investing activities</b>	<b>(2,166,847)</b>	<b>(158,925,000)</b>	<b>(161,091,847)</b>	<b>(4,762,032)</b>	<b>(3,750,000)</b>	<b>(8,512,032)</b>

d) Statement of cash flows (continued)

	31 December 2021			31 December 2020		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>						
Due from / to (insurance operations /shareholder operations)*	(132,051,969)	132,051,969	-	250,118,445	(250,118,445)	-
Lease rental paid	(2,811,788)	-	(2,811,788)	(2,894,339)	-	(2,894,339)
Increase in statutory deposit	-	-	-	-	(40,000,000)	(40,000,000)
Transaction cost related to increase in share capital	-	-	-	-	(6,400,691)	(6,400,691)
Increase in share capital	-	-	-	-	400,000,000	400,000,000
<b>Net cash (used in) / generated from financing activities</b>	<b>(134,863,757)</b>	<b>132,051,969</b>	<b>(2,811,788)</b>	<b>247,224,106</b>	<b>103,480,864</b>	<b>350,704,970</b>
<b>Net change in cash and cash equivalents</b>	<b>(147,606,637)</b>	<b>(16,459,944)</b>	<b>(164,066,581)</b>	<b>100,593,132</b>	<b>75,587,476</b>	<b>176,180,608</b>
Cash and cash equivalents, beginning of the year	187,639,558	137,406,667	325,046,225	87,046,426	61,819,191	148,865,617
<b>Cash and cash equivalents, end of the year</b>	<b>40,032,921</b>	<b>120,946,723</b>	<b>160,979,644</b>	<b>187,639,558</b>	<b>137,406,667</b>	<b>325,046,225</b>
<b>NON-CASH INFORMATION:</b>						
Change in fair value of available for sale investments	3,810,739	6,101,349	9,912,088	(5,649,471)	(10,249,433)	(15,898,904)
Re-measurement of defined benefit liability – employees' end-of-service obligations	205,126	-	205,126	230,658	-	230,658
Deferred income tax	(404,601)	(647,948)	(1,052,549)	599,827	1,088,223	1,688,050

\* These items are not included in the statement of cash flows.

## 31. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 17 March 2022 (corresponding to 14 Shaban 1443H).