



Shareholders Circular

Saudi Enaya Cooperative Insurance Company

Extraordinary General Assembly **/**/1443H (corresponding to **/**/2022G)

Reducing the company's capital of fifty million (50,000,000) Saudi riyals
from one hundred and fifty million (150,000,000) Saudi riyals
To one hundred million (100,000,000) Saudi riyals
Resulting in a reduction of shares
From fifteen million (15,000,000) ordinary shares
To ten million (10,000,000) ordinary shares

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wasatah capital
وساطة كابتال



Financial Advisor

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Financial Advisor Address



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Background

- Saudi Enaya Cooperative Insurance Company was established as a Saudi joint stock company pursuant to Royal Decree No. (M/49) dated 27/07/1432H (corresponding to 29/06/2011G) approving the establishment of the company according to the Companies Law, the Cooperative Insurance Companies Control System and its executive regulations, and the decision of the Council of Ministers No. (224) dated 25/07/1432H (corresponding to 27/06/2011G), and Commercial Registration No. (4030223528) issued in Jeddah on 27/03/1433H (corresponding to 19/02/2012G). Health insurance after obtaining the approval of the Central Bank of Saudi Arabia under permit No. TMN/32/20128 dated 19/09/1433H (corresponding to 07/08/2012G)
- The headquarter of the company is located in Jeddah, Ameer Sultan Street, PO Box 3528 Jeddah 21481, KSA.

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The company's current capital is one hundred and fifty million (150,000,000) Saudi riyals divided into fifteen million (15,000,000) ordinary shares, each ordinary share with a nominal value of ten (10) riyals per share, fully paid. The following is the development of the capital since the establishment of the company:

Year	Event
27/07/1432H (corresponding to 29/06/2011G)	Saudi Enaya Cooperative Insurance Company was established as a Saudi joint stock company with a capital of four hundred million (400,000,000) Saudi riyals divided into forty million (40,000,000) ordinary shares with a nominal value of (10) Saudi riyals per share.
30/01/1433 (corresponding to 25/12/2011G)	The founding shareholders subscribed to twenty-four million (24,000,000) shares, representing (60%) of the total shares of the company and paid their value in full. The remaining sixteen million (16,000,000) shares (40%) were offered for public subscription in the period from 24/01/1433H (corresponding to 19/12/2011G) to 30/01/1433H (corresponding to 25/12/2011G) at a subscription price of (10) riyals per share.
05/04/1433H (corresponding to 27/02/2012G)	The shares were listed on the Saudi Stock Exchange "Tadawul"
19/09/1433H (corresponding to 07/08/2012G)	The company obtained the Saudi Central Bank's permit No. TMN/32/20128 to practice insurance activity in accordance with the provisions of the Cooperative Insurance Companies Control Law and its executive regulations.
17/01/1438H (corresponding to 18/10/2016G)	The company reduced its capital, in order to restructure the company capital to extinguish most of the accumulated losses that exceeded (50%) of the company's capital, from four hundred million (400,000,000) Saudi riyals to two hundred million (200,000,000) Saudi riyals, thus reducing the number of the company's shares from Forty million (40,000,000) shares to twenty million (20,000,000) shares by revoking twenty million (20,000,000) shares at a capital reduction rate of (50%) and at a rate of one share reduction for every (2) share.
26/09/1439H (corresponding to 10/06/2018G)	The company reduced its capital, in order to restructure the company's capital to extinguish most of the accumulated losses that exceeded (50%) of the company's capital, from two hundred million (200,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals, and thus reducing the number of the company's shares from Twenty million (20,000,000) shares to ten million (10,000,000) shares by revoking ten million (10,000,000) shares at a capital reduction rate of (50%) and at a rate of one share reduction for every (2) share.

العام	الحدث
05/04/1440H (corresponding to 12/12/2018G)	The company increased its capital by (200%) from one hundred million (100,000,000) Saudi riyals to three hundred million (300,000,000) Saudi riyals, thus increasing the number of the company's shares from ten million (10,000,000) shares to thirty million (30,000,000) shares by issuing Rights shares amounting to twenty million (20,000,000) shares of (2) for each (1) share of the company's shares, at an offer price of (10) riyals per share, with a total value of two hundred million (200,000,000) Saudi riyals.
29/08/1441H (corresponding to 22/04/2020G)	The company reduced its capital, in order to restructure the company's capital to extinguish most of the accumulated losses that exceeded (50%) of the company's capital, from three hundred million (300,000,000) Saudi riyals to one hundred and fifty million (150,000,000) Saudi riyals, and thus reduce the number of shares The company increased from thirty million (30,000,000) shares to fifteen million (15,000,000) shares by canceling fifteen million (15,000,000) shares and at a capital reduction rate of (50%) and at a rate of one share reduction for every (2) share.
20/01/1444H (corresponding to 18/08/2022G)	The company announced, through the Saudi Stock Exchange (Tadawul) website, its board of directors' recommendation to reduce the company's capital from one hundred and fifty million (150,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals by canceling five million (5,000,000) shares of the company's issued shares. This is to amortize fifty million (50,000,000) Saudi riyals from the total accumulated losses at the rate of reducing one share for every (3) shares, and then increase the company's capital after the reduction by offering priority rights shares with a value of one hundred and thirty million (130,000,000) Saudi riyals to become The capital after the increase is two hundred and thirty million (230,000,000) Saudi riyals.
24/02/1444H (corresponding to 20/09/2022G)	The Capital Market Authority has agreed to reduce the company's capital from one hundred and fifty million (150,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals by revoking five million (5,000,000) shares of the company's issued shares, and this approval was announced on the website of the Market Authority Finance and the website of the Saudi Stock Exchange (Tadawul).
//1444H (corresponding to **/**/2022G)	The Extraordinary General Assembly of the company, during its meeting held on **/**/2022G, agreed to reduce the company's capital from one hundred and fifty million (150,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals by canceling five million (5,000,000) shares of stock. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).

Name	Position	Representation	Capacity	Nationality	Membership Date*	Shares Equity**			
						Direct		Indirect	
						No.	%	No.	%
Amr Muhammad Khashoggi	Director	himself	Independent	KSA	08/03/2021G	0	%0	0	%0
Faisal Farouk Muhammad Tamr	Deputy Director	himself	non-executive	KSA	08/03/2021G	125	0.00083%	0	%0
Khaled Abed Kamah	Member	himself	Independent	KSA	08/03/2021G	0	%0	0	%0
Aldana Khaled Juffali***	Member	himself	non-executive	KSA	08/03/2021G	100,000	0.66667%	8,650	0.0577%
Hamad Abdullah Al Ali****	Member	For the National Health Insurance Company	non-executive	UAE	08/03/2021G	0	%0	0	%0
Mohammed Abdullah Al-Dar	Member	himself	Independent	KSA	08/03/2021G	0	%0	0	%0
Abdullah Mohsen Al-Nimri	Member	himself	Independent	KSA	08/03/2021G	0	%0	0	%0
vacant*****									

Source: The Company and Tadawul.

* The (Ordinary) General Assembly, in its meeting held on 20/07/1442H (corresponding to 04/03/2021G), agreed to appoint members to the Board of Directors, provided that the appointment becomes effective on 08/03/2021G for a period of 3 years ending on 07/01/2024G.

** Represents the ownership of the shares before the capital reduction.

*** The shares owned by her in a personal capacity represent the indirect ownership resulting from her direct ownership in Khaled Ahmed Al-Juffali Company at 1%, which owns 865,000 ordinary shares of Saudi Enaya Cooperative Insurance Company.

****The National Health Insurance Company owns 1,500,000 ordinary shares of 10% of the shares of the Saudi Enaya Cooperative Insurance Company.

***** On 11/08/2022G, the company announced that the Board of Directors accepted the resignation of the member, Mr. Cornelius Alexander, from membership in the Board of Directors and its affiliate committees (Chairman of the Risk Committee). Note:

It was recommended by the above-mentioned members on 20/01/1444H (corresponding to 18/08/2022G) to reduce the company's capital from (150,000,000) Saudi riyals to (100,000,000) Saudi riyals by canceling (5,000,000) shares of the issued shares, and from Then increase the company's capital after the reduction by offering priority rights shares with a value of (130,000,000) Saudi riyals, so the capital after the increase becomes (230,000,000) Saudi riyals

Background - Executive Management

Name	Position	Qualification	Nationality	Appointment Date
Sultan Abdul Raouf	CEO	Master in Accounting and Financial Information Systems	KSA	23/07/2020G
Abdullah Bouri	CFO	Bachelor of Accounting	Pakistan	14/10/2021G
Mazen Shahawy	Supervisory Department Support Officer	Mini Master of Business Administration, Financial Accounting and Accounting Management Bachelor of Business Administration	KSA	01/09/2022G
Wejdan Bakhribiya	Human Resources Manager	Bachelor's degree in Psychology	KSA	27/07/2022G
Ryan El Nozha	cyber security manager	PhD in Business Administration	KSA	27/07/2022G
Abdul-Jabbar Al-Murabi	Customer Care Manager	Bachelor of Marketing	KSA	04/05/2017G
Sami Al-Maliki	Commercial Director	Bachelor of Communications	KSA	05/05/2017G
Thomas Rain	Book Runner	Master of Business Administration	Germany	05/07/2020G

Source: Company

Accumulated Losses Development

Period	net profit (loss)* (Thousands of Saudi Riyals)	Accumulated Losses (Thousands of Saudi Riyals)	Accumulated Losses to Capital Ratio	The reason for the increase/decrease in accumulated losses
2016	(11,069)	(210,798)	52.70%	Because of the pre-incorporation expenses incurred by the company, in addition to the delay in starting commercial activities with the lax entry to the insurance market at the start of the company. Noting that the company was maintaining a good degree of liquidity and solvency.
2018	(103,336)	(149,008)	74.50%	The losses are due to the increase in technical reserves as recommended by the actuary to meet potential claims.
2019	(106,702)	(150,860)	50.29%	The losses are due to the increase in technical reserves as recommended by the actuary expert to meet the potential claims of the documents written for the year 2018
2022	(14,498)	(105,743)	70.50%	The losses are due to an increase in the net claims incurred, in addition to the increase in the technical reserves to meet the potential claims for the documents written for the year 2021.

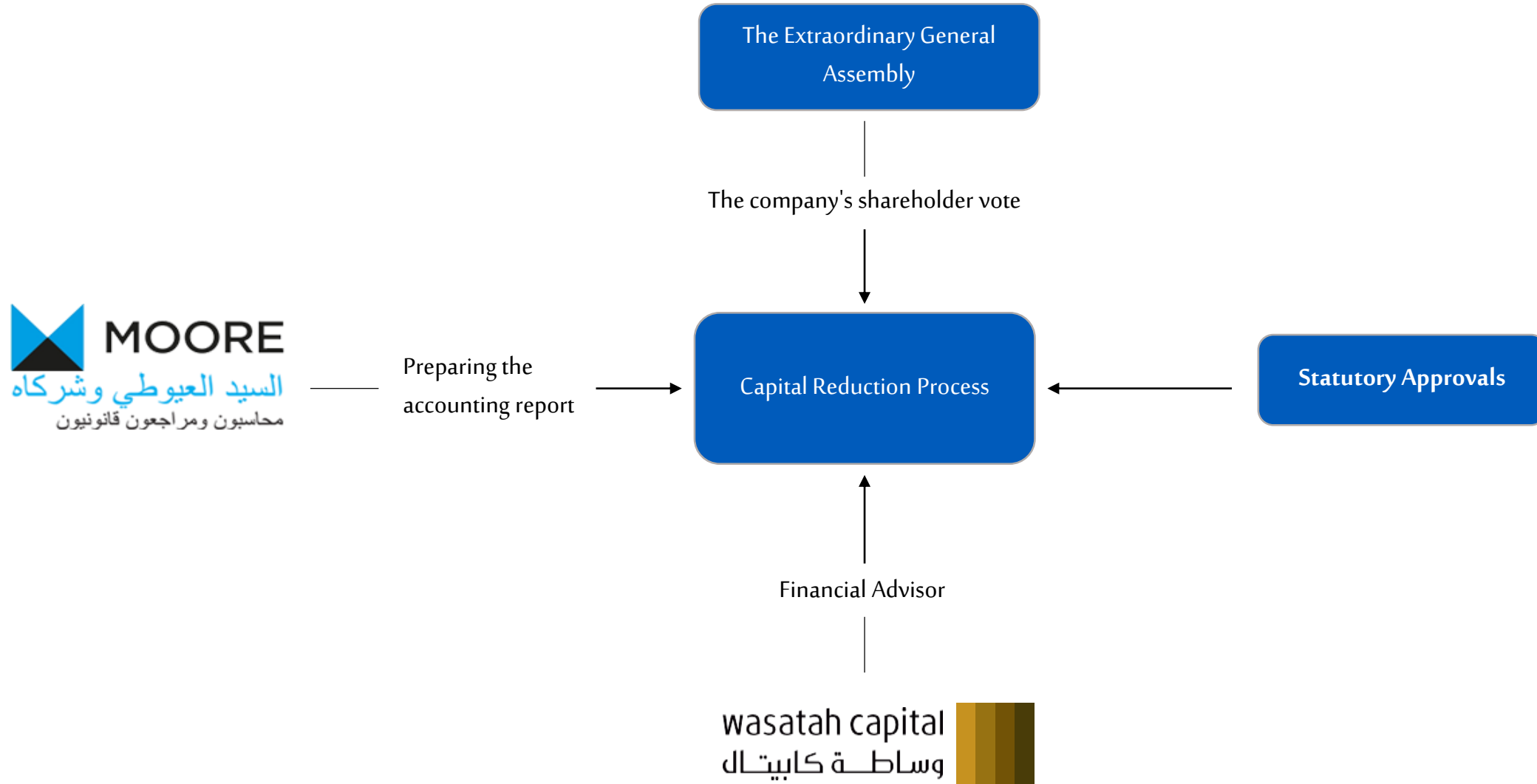
*Net comprehensive loss after zakat.

The company's plan and corrective steps to stop losses

The steps that the management will take in order to stop the accumulated losses are summarized as follows:

- Improving the subscription process to reduce the loss rate for medical Insurance Policy.
- Adjusting prices according to the recommendations of the actuary.
- Increasing sales by expanding in the Central Region and creating an office in the Eastern Region, and increasing sales by creating new (electronic, direct, intermediaries) sales channels.
- Creating a marketing department to support sales management and sales channel operations by attracting new customers and targeting SMEs.
- Creating a department to follow up on the collection of overdue amounts and take legal action against defaulting clients.
- Evaluating operational performance and restructuring operational activities to reduce their expenses, including but not limited to utilizing external service providers, automating financial procedures and automating membership services procedures.
- Developing the work mechanism and creating an internal department to follow up and control the work assigned to the External Claims Department.
- Focusing on increasing the capital of the investment portfolio in investments with guaranteed returns.
- The possibility of merging with another insurance company will lead to the creation of a new entity with strong capital and a high level of financial solvency.

The figure below shows the parties involved in the capital reduction process:



The general structure of the proposed capital reduction

- The company's current capital is one hundred and fifty million (150,000,000) Saudi riyals divided into fifteen million (15,000,000) ordinary shares with a nominal value of ten (10) riyals per share, which is fully paid.
- It was recommended by the members of the Board of Directors on 20/01/1444H (corresponding to 18/08/2022G) to reduce the company's capital from one hundred and fifty million (150,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals by canceling five million (5,000,000) One share of the company's issued shares, so the company's new capital becomes one hundred million (100,000,000) Saudi riyals, divided into ten million (10,000,000) ordinary shares, and then increasing the company's capital after the reduction by (130%) by offering priority rights shares with a value of one hundred and thirty million (130,000,000) Saudi riyals, so the capital after the increase becomes two hundred and thirty million (230,000,000) Saudi riyals.
- The capital reduction percentage is (33.33%), and the reduction process will be done by canceling five million (5,000,000) shares, i.e. at the rate of canceling (1) share for every (3) share to be extinguished (47.28%) of the total accumulated losses amounting to one hundred and five million seven hundred Forty-three thousand (105,743,000) Saudi riyals.
- The company will collect any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell them in the market at the prevailing price at the time, and then the proceeds of selling them will be distributed to the company's shareholders, each according to his ownership within (30) thirty days from the date of approval Shareholders in the extraordinary general assembly to reduce the company's capital.
- Date of the financial statements that were relied on for capital purposes: The financial statements for the financial statements for the period ending June 30, 2022G.

Reasons for capital reduction and management analysis discussion

The company's management worked on developing a strategy to improve the current situation and support the future growth and financial performance of the company and reached a decision to restructure the company's capital by starting the process of reducing the capital to extinguish part of the accumulated losses and then increasing the company's capital.

Reducing the accumulated losses is one of the most important decisions in light of the circumstances the company is going through, as the balance of the accumulated losses account will become fifty-five million seven hundred and forty-three thousand (55,743,000) Saudi riyals, which will represent approximately (55.74%) of the company's capital after The company is working to correct its situation to stop losses and achieve profits.

The Extraordinary General Assembly also agreed on 23/01/1444H (corresponding to 21/08/2022G) to direct the company to proceed with the capital increase procedures and to obtain the approval of the competent authorities, and the company is currently working on preparing the capital raising file, which will have a positive impact on Reducing the percentage of accumulated losses.

The company announced, through the Saudi Stock Exchange (Tadawul) website on 20/01/1444H (corresponding to 18/08/2022G), its board of directors' recommendation to reduce the company's capital from one hundred and fifty million (150,000,000) Saudi riyals, divided into fifteen million (15,000,000) Ordinary share so that the company's new capital becomes one hundred million (100,000,000) Saudi riyals divided into ten million (10,000,000) ordinary shares. At a reduced rate of (33.33%), and then increasing the company's capital after the reduction by (130%) by offering priority rights shares with a value of one hundred and thirty million (130,000,000) Saudi riyals, so the capital after the increase becomes two hundred and thirty million (230,000,000) Saudi riyals.

- ☐ The company obtained the approval of the Capital Market Authority on the request to reduce the company's capital on 24/02/1444H (corresponding to 20/02/2022G), and this approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).) on 24/02/1444H (corresponding to 20/02/2022G).
- ☐ The company called for this extraordinary general assembly and announced it on the Saudi Stock Exchange (Tadawul) website on **/**/1443H (corresponding to **/**/2022G), and a copy of this offer was included in the announcement.

The effect of reducing the company's capital on the company's obligations

- The company has appointed EL SAYED EL AYOUTY & Co, Certified Public Accountants as a chartered accountant to prepare the accounting report on the capital reduction process, through which the reduction mechanism and its expected impact on the company's obligations were clarified.
- There will be no impact of the capital reduction on the company's obligations as in the attached chartered accountant's report.

The effect of reducing the company's capital on the rights of the company's shareholders

- The company's losses amounted to one hundred and five million seven hundred and forty-three thousand (105,743,000) Saudi riyals. As on June 30, 2022G, a capital reduction of fifty million (50,000,000) Saudi shares will extinguish (47.28%) of the total accumulated losses.
- The impact on shareholders' equity will be based on the financial statements for the period ending June 30, 2022G:

Shareholders' rights as on June 30, 2022	before the capital reduction	After reducing the capital	Effect
Capital	150,000,000	100,000,000	(50,000,000)
Accumulated Losses	(105,743,000)	(55,743,000)	50,000,000
Total Shareholders' rights	44,257,000	44,257,000	0
End of service indemnity measurement reserve related to insurance operations	933,000	933,000	0
Total Equity	45,190,000	45,190,000	0

Source: the attached chartered accountant's report, and the financial statements as of June 30, 2022 AD

The effect of reducing the company capital on the rights of the company shareholders

- The company intends to reduce its capital by an amount of fifty million (50,000,000) Saudi riyals from one hundred and fifty million (150,000,000) Saudi riyals by cancelling (5,000,000) shares of the company issued shares at a cancellation rate of (0.3333) shares for every 1 share.
- The company will collect any fractional shares (if any) in one portfolio that will result from the capital reduction process and then sell them in the market at the prevailing price at the time, and then the proceeds of selling them will be distributed to the company shareholders, each according to his ownership within (30) thirty days from the date of the approval by shareholders in the extraordinary general meeting to reduce the company capital.
- Reducing the company capital will not affect the market value of the company shareholders' portfolios, as shown below for a shareholder who owns 1,000 shares of the company shares in his portfolio:

Item (Estimated)	With capital reduction	Without capital reduction
Shares owned before the reduction	1000	1000
Share price before the reduction (closed 01/09/2022G)	SAR 20.30	SAR 20.30
Cancelled Shares	334	Not applicable
Shares owned after the reduction	666	Not applicable
Share price after the reduction (Estimated)	SAR 30.45	Not applicable
Market value of shares before reduction (estimated)	SAR 20,300	SAR 20,300
Market value of shares after reduction (estimated)	SAR 20,279.70	Not applicable
Compensation value resulting from shares fractures (estimated)	SAR 20.30	Not applicable

* The offer will be updated to shareholders by adding the closing price of the share on the day of the Extraordinary General meeting.

The effect of reducing the company capital on the rights of the company shareholders

- It should be noted that the shareholder who owns one share of the company shares in his portfolio will have his shares cancelled and compensated, and the following table shows the effect on the shareholder who owns up to 10 shares:

Item (Estimated)										
Shares owned before the reduction	1	2	3	4	5	6	7	8	9	10
Share price before the reduction (closed 01/09/2022)	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3
Cancelled Shares	1	1	1	2	2	2	3	3	3	4
Shares owned after the reduction	0	1	2	2	3	4	4	5	6	6
Share price after the reduction (Estimated)	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45	30.45
Market value of shares before reduction (estimated)	20.30	40.60	60.90	81.20	101.50	121.80	142.10	162.40	182.70	203.00
Market value of shares after reduction (estimated)	0.00	30.45	60.90	60.90	91.35	121.80	121.80	152.25	182.70	182.70
Compensation value resulting from shares fractures (estimated)	20.30	10.15	0.00	20.30	10.15	0.00	20.30	10.15	0.00	20.30

* The offer will be updated to shareholders by adding the closing price of the share on the day of the Extraordinary General meeting.

Method of calculating the share price after capital reduction

- It was considered that the share price before the reduction represents the closing price of the Saudi Enaya Cooperative Insurance Company on 01/09/2022G, which is (20.30) Saudi riyals, and the following table shows how to calculate the share price after reducing the capital.

Item	
SAR 20.30	(a) Share price before the reduction (closed 01/09/2022G)
15,000,000	(b) The number of shares before the reduction
304,500,000	(c) Market value of company shares before reduction = (a) * (b)
10,000,000	(d) The number of shares after the reduction
SAR 30.45	Market value of company shares after reduction = (c) ÷ (d)*

Possible risks as a result of reducing the company capital

- The Saudi Central Bank imposes on insurance companies liability to a solvency margin equal to (100%). The companies' failure to adhere to the margin imposes on them a series of measures to correct their situation, including increasing the company capital, adjusting prices, reducing costs, stopping accepting any new subscriptions, Liquidation of some assets, and any other procedure that the company deems appropriate and approved by the Central Bank. After taking the above procedures, the Saudi Central Bank may appoint an advisor (to provide advice as needed) or withdraw the company license, as stipulated in Paragraph (D), Clause (2) of Article (68) of the Executive Regulations for Monitoring Cooperative Insurance Companies.

It is worth noting that the company received a letter from Saudi Central Bank on 12/09/1439H (corresponding to 27/05/2018G) No. (1/40734) regarding the company's failure to meet the requirements of the solvency margin required by law and based on Article (68) of the Executive Regulations The Cooperative Insurance Companies Control Law and approved the following:

First: Preventing the company from accepting new subscribers and thus preventing it from issuing or renewing any insurance policies as of Sunday 12/09/1439H (corresponding to 27/05/2018G).

Second: Obliging the company to appoint an independent advisor at its own expense, approved by Saudi Central Bank, to provide advice regarding the decrease in the solvency margin. And submitting a weekly report to the Saudi Central Bank.

Third: The chairman of the company board of directors must inform all members of the board of the aforementioned Saudi Central Bank letter and take the necessary action regarding what is stated in it.

On 18/05/1440H (corresponding to 24/01/2019G), the company received a letter from the Saudi Central Bank No. (89/31506) containing the unblock the company, provided that it commits to completing the corrective measures related to the functions of the Internal Audit Department and the Compliance Department

- In the event that the accumulated losses amounted to (20%) or more of the company capital, the company will be subject to the Authority regulations regarding "Procedures and instructions for companies whose shares are listed in the market whose accumulated losses amounted to (20%) or more of its capital".

Date	Event
20/01/1444H - (corresponding to 18/08/2022G)	Announcing the Board of Directors' recommendation to reduce the capital from one hundred and fifty million (150,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals.
20/01/1444H (corresponding to 18/08/2022G)	Announcing the appointment of the financial advisor for the company capital reduction process.
08/02/1444H (corresponding to 04/09/2022G)	Submit a request to the Capital Market Authority to reduce the company capital.
24/02/1444H (corresponding to 20/09/2022G)	The approval of the Capital Market Authority on the request to reduce the company capital, and this approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).
//1443H (corresponding to **/**/2022G)	The call for this extraordinary general meeting and its announcement on the Saudi Stock Exchange (Tadawul) website, a copy of this offer was also included in the announcement.
//1443H (corresponding to **/**/2022G)	The beginning of electronic voting on the clauses of the extraordinary general meeting meeting, including the capital reduction (first meeting).
//1443H (corresponding to **/**/2022G)	Convening the Extraordinary General meeting that includes reducing the capital (the first meeting), and in the event that the quorum required for holding the first meeting is not complete, the second meeting will be held an hour after the end of the period specified for convening the first meeting. In the event that the quorum required to hold the second meeting is not complete, the third meeting will be held 21 days after the end of the period specified for the second meeting.
//1443H (corresponding to **/**/2022G)	Announcing the results of the extraordinary general meeting meeting.
It will be announced that the amounts returned (if any) from the sale of fractional shares resulting from the reduction of the company capital will be deposited in the accounts of the eligible shareholders. This will be within (30) days from the date of the approval of shareholders' in the extraordinary general meeting to reduce the company capital.	

- **Capital Reduction Procedures:**

The process of reducing the capital is subject to the following procedures:

- The company board of directors' recommendation to reduce the capital.
- Appointment of a financial advisor for the capital reduction process.
- Appointing a chartered accountant to prepare the accounting report on the capital reduction process.
- Preparing and submitting a capital reduction request to the Capital Market Authority in accordance with the conditions of Article 58 of the Rules on Offering Securities and Continuing Obligations, and related to the conditions of capital reduction.
- The approval of the Saudi Central Bank to reduce the company capital.
- The approval of the Capital Market Authority on the request to reduce the company capital.
- Submit a notification to the Saudi Stock Exchange (Tadawul) in the form provided in Annex (5) of the Listing Rules.
- The approval of the extraordinary general meeting to reduce the company capital.

- **Board of Directors acknowledgement:**

The members of the company board of directors confirm, to the best of their knowledge and belief, that the reduction of the company capital is in the interest of the company and the shareholders

The necessary regulatory approvals to complete the process of reducing the company capital

- The company obtained the approval of the Saudi Central Bank to reduce the company capital from one hundred and fifty million (150,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals by cancelling (5,000,000) shares of the company issued shares, according to letter No. (44009075) dated 04/02/1444H (corresponding to 31/08/2022G).
- The company obtained the approval of the Capital Market Authority on 24/02/1444H (corresponding to 20/02/2022G) to reduce the company capital from one hundred and fifty million (150,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals by cancelling (5,000,000) shares of the company issued shares, representing 33.33% of the capital. This approval was announced on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul) on 24/02/1444H (corresponding to 20/02/2022G).
- The capital reduction process requires the approval of the shareholders, and the shareholders should be aware that if their approval is not obtained for this capital reduction, the capital reduction will not take place.
- In the event the shareholders' approval of the capital reduction process is obtained, the company will continue the procedures for reducing its capital and address the Ministry of Commerce to obtain its approval to amend the company articles of association and commercial register.
- Other than what was mentioned above, there are no other regulatory approvals that the company must obtain to complete the capital reduction process.

Relevant rules, regulations and instructions

- The Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) and its amendments
- The Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G) and its amendments
- Rules for Offering Securities and Continuing Obligations issued by the Board of the Capital Market Authority pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) and amended by Resolution of the Board of the Capital Market Authority No. 5-5-2022 dated 02/06/1443H (corresponding to 05/01/2022G).
- Listing Rules Approved by Board of the Capital Market Authority Decision No. 3-123-2017 dated 09/04/1439 H (corresponding to 27/12/2017G) and amended by Board of the Capital Market Authority Decision No. 1-104-2019 dated 01/02/1441H (corresponding to 30/09/2019G) as amended by Board of the Capital Market Authority Decision No. 1-19-2022 dated 12/07/1443H (corresponding to 13/02/2022G) and amended by Board of the Capital Market Authority Decision No. 1-52-2022 dated 12 /09/1443H (corresponding to 13/04/2022G).
- Cooperative Insurance Companies Monitoring System issued by Royal Decree No. (M/32) dated 02/06/1424H (corresponding to 31/07/2003G) and its implementing regulations, and the amendments thereto.
- Company Article of Association.
- Procedures and instructions for companies whose shares are listed in the main market and whose accumulated losses amounted to (20%) or more of their capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. 4— 48—2013 and dated 15/01/1435H (corresponding to 18/11/2013G) based on the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424 AH, and amended by Board of the Capital Market Authority Decision No. 1 - 77-2018 dated 05/11/1439 AH (corresponding to 18/07/2018G).

Chartered Accountant Report

- The company has appointed El Sayed El Ayouty & Co. (Chartered Accountants and Auditors), to prepare a limited examination report to study the reasons for the capital reduction and the impact of that reduction on the company obligations and shareholders' equity in order to obtain the approval of the Capital Market Authority on the capital reduction request.
- Recitation of the chartered accountant report, based on Article 144 of the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) and the amendments contained therein, the reduction decision shall not be issued until after recitation of a special report prepared by the auditor on the reasons for it, the obligations of the company, and the effect of the reduction in these obligations.
- A copy of the limited examination report prepared by the chartered accountant was included in the announcement of the call for this extraordinary general meeting on the website of the Saudi Stock Exchange (Tadawul) on **/** 1443H (corresponding to **/**/2022G)

- With reference to the procedures and instructions for companies whose shares are listed in the market, and whose accumulated losses amounted to (20%) or more of their capital, issued by the Board of the Capital Market Authority pursuant to Resolution No. 4 - 48 - 2013 dated 15/01/1435H (corresponding to 18/11/2013G) Based on the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 07/08/2012G), and amended by Resolution of the Board of the Capital Market Authority No. 1-77-2018 dated 5/11/1439H (corresponding to 18/07/2018G),
- And based on the Companies Law issued by the Ministry of Commerce in 2015G corresponding to 1437H, and in particular Article (150) of the Companies Law that if the company losses amount to half of the paid-up capital, at any time during the fiscal year, any company official or auditor must as soon as he becomes aware of this inform the Chairman of the Board of Directors, and the Chairman of the Board of Directors must immediately inform the members of the Board of this, and the Board of Directors, within fifteen days of becoming aware of this, must call the Extraordinary General Meeting to meet within forty-five days from the date of his knowledge of the losses, to decide either to increase the company capital or reducing it in accordance with the provisions of the law to the extent that the percentage of losses decreases to less than half of the paid-in capital, or the company is dissolved before the term specified in its articles of association. The company is considered dissolved by force of law if the extraordinary general meeting did not meet within 45 days if it met and was unable to issue a decision on the matter, or if it decided to increase the capital in accordance with the conditions established in this article and the subscription for all the capital increase was not completed within ninety days from the date of the issuance of the meeting decided to increase.
- The company must disclose to the public immediately and without delay an independent announcement when its accumulated losses reach (20%) or more, and less than (35%) of its capital, provided that the announcement includes the number of accumulated losses and their percentage of the capital and the main reasons that led to reaching these losses, indicating in the announcement that these procedures and instructions will be applied to them, and if the disclosure required according to this paragraph coincides with the announcement of the initial or annual financial results, the company is exempted from disclosing a separate announcement if it included it in the announcement of the initial or annual financial results.
- The company must disclose to the public immediately and without delay an independent announcement when its accumulated losses reach (35%) or more, and less than (50%) of its capital, provided that the announcement includes the number of accumulated losses and their percentage of the capital and the main reasons that led to reaching these losses, indicating in the announcement that these procedures and instructions will be applied to them, and if the disclosure required according to this paragraph coincides with the announcement of the initial or annual financial results, the company is exempted from disclosing a separate announcement if it included it in the announcement of the initial or annual financial results.

- The company must disclose to the public immediately and without delay an independent announcement when its accumulated losses reach (50%) or more of its capital, provided that the announcement includes the amount of accumulated losses and their percentage of the capital and the main reasons that led to reaching these losses, indicating in the announcement that these procedures and instructions for companies listed in the Saudi Stock Exchange whose accumulated losses amounted to (50%) or more of their capital will be applied, and if the disclosure required according to this paragraph coincides with the announcement of the initial or annual financial results, the company is exempted from disclosing a separate announcement if it included it in the announcement of the initial or annual financial results.
- According to Article (94) of the Companies Law, the Extraordinary General meeting shall not be valid unless attended by shareholders representing at least half of the company capital. If this quorum is not present in the first meeting, a second meeting shall be called, and the second meeting shall be valid if attended by a number of shareholders representing at least a quarter of the capital. If it is not held after that, a third meeting shall be called according to the conditions stipulated in the Companies Law, and the legal quorum shall be for those who attended after obtaining the approval of the competent authorities.
- According to Article (94) of the Companies Law, the decisions of the Extraordinary General meeting are issued by a two-thirds majority of the shares represented at the meeting, unless this decision is related to an increase or decrease in the capital, or the lengthening of the company term before the expiry of the period specified in its article of Association, or its merger with a company or other institution. The decision shall not be valid unless it is passed by a majority of three quarters of the shares represented at the meeting.
- In the event that the company shareholders agree to reduce the capital, the reduction decision will be effective for all shareholders of the company registered in the company records in the Saudi Stock Exchange "Tadawul" at the end of trading on the second day following the day of the extraordinary general meeting, and this includes shareholders who did not attend the extraordinary general meeting , as well as shareholders who attended the meeting and did not vote or vote against the decision to reduce the capital.

Documents available for viewing

- The shareholders' circular will be published and made available to the public within a period of no less than (14) days before the Extraordinary General meeting is held to reduce the company capital.
- The company will provide the following documents for review at the company head office in Jeddah, from the date of the approval of the Capital Market Authority on 24/02/1444H (corresponding to 20/09/2022G), until the date of the Extraordinary General Meeting In **/**/1443H (corresponding to **/**/2022G) during official working hours from 8 am to 5 pm:
 - A copy of the company board of directors' recommendation to reduce the company capital.
 - A copy of the Saudi Central Bank approval letter to reduce the company capital.
 - A copy of the letter of appointment of the financial advisor.
 - A copy of the chartered accountant report related to the company capital reduction.
 - A copy of the Authority's announcement of its approval of the company's request to reduce its capital, which is published on the website of the Capital Market Authority and the website of the Saudi Stock Exchange (Tadawul).
 - A copy of this circular to the shareholders (the presentation made to the shareholders of the company in the extraordinary general meeting)

Attachments

- A copy of the chartered accountant report.
- Power of attorney form to attend the meeting of the non-general assembly (if the state or the competent authorities allow direct meetings).

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AGREED UPON PROCEDURES REPORT ON ACCUMULATED LOSSES OF SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (THE "COMPANY") AS OF JUNE 30, 2022 (UNAUDITED) AS REQUIRED UNDER ARTICLE FIVE (E) OF "PROCEDURES AND INSTRUCTIONS RELATED TO LISTED COMPANIES WITH ACCUMULATED LOSSES REACHING 20% OR MORE OF THEIR SHARE CAPITAL"

**To the shareholders of Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)
Jeddah, Saudi Arabia.**

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting the Company on the accumulated losses of the Company shown in the Interim Condensed Statement of Financial Position of the Company as of June 30, 2022 (Appendix 1) as required under Article Five (e) of the " *Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or more of their Share Capital* " Issued by the Board of the Capital Market Authority pursuant to its Resolution Number 4-48-2013 dated 15/1/1435H corresponding to 18/11/2013G based on the Capital Market Regulation issued by Royal Decree No. M/30 dated 2/6/1424H and amended by the Board of the Capital Market Authority pursuant to its Resolution Number 1-77-2018 dated 5/11/1439H corresponding to 18/7/2018G. Accordingly, our report may not be suitable for another purpose.

Company Responsibilities (Engaging Party)

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. Accordingly, we make no representations about the adequacy of the procedures described below if we asked to use this report for any other purpose.

Auditor's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company and reporting the findings which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

Professional Ethics and Quality Control

We have complied with the ethical and independence requirements in accordance with the Professional Code of Conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our engagement and we have fulfilled our other ethics responsibilities in accordance with its requirements.

Our firm applies International Standards on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly, maintains a comprehensive systems of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company.

	Procedures	Findings
1	Obtain a copy of recommendation resolution passed in the Board of Directors' meeting to offset part of the accumulated losses of the Company, SR 50 million as on June 30, 2022 against the part of share capital of the Company.	We have obtained a copy of recommendation resolution passed in the Board of Directors' meeting held on August 18, 2022 and found that the Board of Directors has recommended to offset Company's part of the accumulated losses against the share capital of the Company by an amount of SR 50 million and there by reduced the Company's share capital from SR 150 million to SR 100 million through cancellation of 5 million shares and the number of shares after the reduction became 10 million shares and accumulated losses of the Company has reduced from SR 105.74 million to SR 55.74 million.
2	Obtain the relevant information from the Company's management and the effect of the reduction mentioned in the Board of Directors' recommendation resolution dated August 18, 2022 in reducing the capital and verifying its accuracy.	We obtained the relevant information from the Company along with impact mentioned, in the resolution of the Board of Directors, dated August 18, 2022 for reducing the capital (Appendix 1), with no observation.

The effect of the reduction on the unaudited financial statements as on June 30, 2022 is as follows:

Share capital

The authorized and paid-up capital of the Company is SR 150 million, divided into 15 million shares of SR 10 each. Due to proposed capital reduction, the Company's capital will be reduced by SR 50 million by cancelling 5 million shares to offset part of the accumulated losses as of June 30, 2022, accordingly, the share capital will be reduced to SR 100 million and the paid-up capital to 10 million shares of SR 10 each.

Accumulated losses

The accumulated losses of the Company amounted to SR 105.7 million as at June 30, 2022. The proposed capital reduction will reduce the accumulated losses by SR 50 million, accordingly the accumulated losses after capital reduction will be SR 55.74 million.

Equity, liability and liquidity

There will be no impact in the Company's equity, liabilities and liquidity due to reduction of capital.

We would like to draw your attention;

- These procedures mentioned above do not constitute an audit or review in accordance with International Standards on auditing or the review standards endorsed in the Kingdom of Saudi Arabia, and accordingly, we do not issue any confirmation regarding the Interim Condensed Statement of Financial Position of the Company as on June 30, 2022. (Appendix 1).
- Assuming that we have implemented additional procedures, or assuming that we have carried out an audit or review of the financial statements in accordance with International Standards on Auditing or Review Standard endorsed in the Kingdom of Saudi Arabia, other matters may come or to our attention that would have been reported to you.
- Our work and responsibility towards this report ends when it is handed over to the management of the Saudi Enaya Cooperative Insurance Company.
- The purpose of this report is what was clarified in the first paragraph of this report, the information about the Company and the Company's uses to complete the legal procedures for reduction of the Company's capital, and it may not be used for any other purpose or submitted to any other purpose or submitted to any parties. This report is only related to the accounts and items specified above.

For El Sayed El Ayouty & Co.



Abdullah Ahmed Balamesh
Certified Public Accountant
Licenses No. 345



August 29, 2022
Safar 02, 1444H

Appendix 1

The condensed statement of financial position and the impact of the recommendation of the capital reduction on the unaudited financial statements as on June 30, 2022
(Expressed in Thousands of Saudi Arabian Riyals)

	Before Capital Reduction June 30, 2022 (unaudited)	Impact of Capital reduction	After Impact of Capital reduction (unaudited)
ASSETS			
Cash and cash equivalents	143,062	-	143,062
Short term murabaha deposits	66,969	-	66,969
Premiums receivable, net	53,192	-	53,192
Prepaid expenses and other assets	13,006	-	13,006
Deferred policy acquisition costs	5,935	-	5,935
Investments	1,133	-	1,133
Property and equipment, net	1,634	-	1,634
Intangible assets, net	706	-	706
Right of use assets, net	1,506	-	1,506
Statutory deposit	22,500	-	22,500
Accrued commission income on statutory deposit	4,648	-	4,648
TOTAL ASSETS	314,291	-	314,291
LIABILITIES			
Accrued and other liabilities	60,955	-	60,955
Unearned premiums	92,593	-	92,593
Outstanding claims	39,189	-	39,189
Claims incurred but not reported	19,977	-	19,977
Premium deficiency reserve	30,745	-	30,745
Other technical reserves	396	-	396
End-of-service indemnities	5,697	-	5,697
Lease liabilities	1,151	-	1,151
Zakat and income tax provision	13,750	-	13,750
Accrued commission income payable to SAMA	4,648	-	4,648
TOTAL LIABILITIES	269,101	-	269,101
SHAREHOLDERS' EQUITY			
Share Capital	150,000	(50,000)	100,000
Accumulated losses Equity	(105,743)	50,000	(55,743)
TOTAL SHAREHOLDERS' EQUITY	44,257	-	44,257
Re-measurement reserve on end-of-service indemnities – related to insurance operations	933	-	933
TOTAL EQUITY	45,190	-	45,190
TOTAL LIABILITIES AND EQUITY	314,291	-	314,291