



**Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)  
invites the shareholders of the Company to attend the online Ordinary  
General Assembly meeting (the first meeting)**



<b>Introduction</b>	The Board of Directors of Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) invites the shareholders of the Company to attend the Ordinary General Assembly meeting (the first meeting) in the city of Riyadh through the means of modern technology using the Tadawulaty suite, which is scheduled to be held at 19:45 P.M on Thursday 1444-12-04H corresponding to 2023/06/22.
<b>Location</b>	The Company's headquarters in the city of Riyadh through the modern technology means (using the Tadawulaty suite).
<b>Meeting link</b>	<a href="http://www.tadawulaty.com.sa">www.tadawulaty.com.sa</a>
<b>Date</b>	Thursday 1444-12-04H corresponding to 2023/06/22.
<b>Time</b>	19:45 P.M
<b>Attendance Entitlement</b>	Each of the shareholders registered in the company's shareholders register at the Edaa Center at the end of the trading session that precedes the Assembly meeting has the right to attend according to the rules and regulations. The right to register the attendance of the Assembly meeting ends at the time of the assembly and the right to vote on the assembly's items by attendees ends when the sorting committee finishes counting the votes.
<b>Assembly Quorum</b>	The Ordinary General Assembly meeting shall be deemed valid if it is attended by shareholders representing at least a quarter of the capital. If the quorum required for holding this meeting is not available, the second meeting will be held one hour after the end of the period specified for the first meeting, and the second meeting shall be valid regardless of the number of shares represented therein.
<b>Agenda</b>	<ol style="list-style-type: none"> <li>1. Viewing the Board of Directors' report for the fiscal year ending 2022/31/12 and discuss it. (Attached).</li> <li>2. Voting on the Company's auditors 'report for the fiscal year ending 2022/31/12 after discussion. (Attached).</li> <li>3. Viewing the financial statements for the fiscal year ending on 2022/12/31 and discuss it. (Attached).</li> <li>4. Voting on the Board of Directors' quittance for the fiscal year ending 2022/31/12.</li> <li>5. Voting on the remuneration of the Board of Directors for their membership for a total amount of (SR 1,693,000) for the fiscal year ending 2022/12/31.</li> <li>6. Voting on appointing the Company's auditors among the candidates and fixing their fees, based on the recommendation of the Audit Committee, to inspect, review and audit the financial statements for the second and third quarters and the annual statements for the fiscal year 2023 and the first quarter of the fiscal year 2024.</li> <li>7. Voting on delegating to the Board of Directors, the General Assembly's powers stipulated in paragraph (1) of Article (27) of the Companies Law, for a period of one year from the General Assembly's approval, or until the end of the Board of Directors' term whichever is earlier, in accordance with the terms stated in the Implementing Regulation of the Companies Law for Listed Joint Stock Companies.</li> <li>8. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Rajhi Bank, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, and the board members: Mr. Waleed Abdullah Al Mogbel, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to SR 718,691. (Attached).</li> </ol>



9. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Rajhi Capital Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Board Members: Mr. Waleed Abdullah Al Mogbel, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 1,544 thousand riyals. (Attached).
10. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Rajhi Capital Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, and Board Members: Mr. Waleed Abdullah Al Mogbel, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is income and fees for investment funds, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 12,776 thousand riyals. (Attached).
11. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Fursan Travel Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 1,671 thousand riyals. (Attached).
12. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Fursan Travel Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is travel services for the Company's staff, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 1,592 thousand riyals. (Attached).
13. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Farabi Petrochemical Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 19,306 thousand riyals. (Attached).
14. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Marami Food Industries Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 280 thousand riyals. (Attached).
15. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Digital Trip Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 98 thousand riyals. (Attached).



	<p>16. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Takatuff Holding Group, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 81 thousand riyals.</p> <p>17. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Green Vision, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 39 thousand riyals.</p> <p>18. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Homeland Legacy Real Estate Development Company, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 370 thousand riyals.</p> <p>19. Voting on the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Jeddah Legacy Real Estate Development Company, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2022 amounted to 1 thousand riyals.</p>
<b>Power of Attorney form</b>	Not applicable, as the attendance is virtual only.
<b>E-Voting</b>	The shareholders registered in Tadawulaty Services can vote electronically on the Assembly's agenda items starting from 01:00 a.m. on Sunday 29/11/1444H corresponding to 18/06/2023 until the end of the meeting time. Registration and voting on Tadawulati Services will be available and free of charge to all shareholders using the following link: <a href="http://www.tadawulaty.com.sa">www.tadawulaty.com.sa</a>
<b>Attendance &amp; Voting eligibility</b>	The attendance eligibility at the assembly meeting ends at the time of the assembly meeting. The voting eligibility on the assembly's items ends when the counting committee finishes counting the votes. The shareholder has the right to discuss the topics listed on the agenda of the general assembly and ask questions.
<b>Contact us</b>	Shareholders Relations Unit <a href="mailto:shareholders@alrajhitakaful.com">shareholders@alrajhitakaful.com</a> - 01 1440 9666



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تكافل الراجحي  
Al Rajhi Takaful



22

# Annual Report





Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud

God save him



His Royal Highness

Prince Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince, Prime Minister

God save him

**The Board of Directors of Al Rajhi Cooperative Insurance Company (Al Rajhi Takaful) is pleased to present to the honorable shareholders its annual report accompanied by audited financial statements and notes for the fiscal year ending on 31 December 2022, including the most significant developments, financial outcomes, operating activities, and disclosures in accordance with the By-laws and regulations.**

# **Al Rajhi Cooperative Insurance Company**

## **BOD Annual Report**

**For the period from  
1 January 2022 to 31  
December 2022**



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# About Al Rajhi Takaful





## Our mission

"We deliver protection for our clients through reliable, affordable and innovative solutions"



## Our vision

"Reinventing insurance for the Kingdom"



## Our values

- Shariah Compliant
- Saudi Family-oriented
- Customer centric
- Trusted Business Partners
- One Team





**Abdullah bin Sulaiman Al-Rajhi**  
Chairman

## Chairman's Statement

**Dear shareholders of Al Rajhi Company for Cooperative Insurance,**

In the context of issuing the annual report for the fiscal year 2022 of Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful), we are pleased to present to our honorable shareholders the annual report of the Board of Directors along with the audited financial statements and their notes for the fiscal year, including the most important developments, financial results, operating activities and disclosures as required by the laws and regulations in force in Saudi Arabia.

We worked during the past year at Al Rajhi Takaful to achieve the Company's objectives in line with a strategy aligned with Saudi Arabia's Vision 2030 and in a manner that ensured consistent and balanced performance for the Company in its endeavor to be one of the Kingdom's leading insurers through a variety of insurance products attuned to the various needs of our individual, SME and corporate customers in both the public and private sectors, including GI, motor, health and P&S.

We at Al Rajhi Takaful are determined to continue moving forward steadily and constantly towards success and sustainable and growing development.

Lastly, proud of the great achievements that our Company has accomplished in record time, especially when compared to normal growth rates of the Saudi insurance market, we at Al Rajhi Takaful extend our sincere thanks to our customers, success partners, for their trust in us and our Company. We also thank Al Rajhi Takaful staff for their efforts to reach these outstanding results.

**Abdullah bin Sulaiman Al-Rajhi**  
Chairman





## 01

# Company's Profile

Al-Rajhi Company for Cooperative Insurance "Al-Rajhi Takaful" (the Company) was established with a paid-up capital of 200 million Saudi riyals, which increased to 400 million Saudi riyals in 2015. It is a Saudi public joint-stock company that was established pursuant to the Royal Decree No.: R/35, dated 27/06/1429 AH, corresponding to 01/07/2008 AD and the Ministerial Resolution No. 182, dated 07/06/1429 AH. The Company was established in Riyadh with the Commercial Register No. 1010270371, dated 05/07/1430 AH-28/06/2009 AD, which is authorized to practice the insurance activities by the Saudi Central Bank under license No. (T N M/22/200911), dated 29/11/1430 AH - 17/11/2009 AD.

Al-Rajhi Takaful Company has provided the Saudi market over the past years with a variety of insurance services such as vehicle insurance, health insurance, property insurance, personal injury insurance, protection and savings insurance, and general insurance services, in addition to many other insurance products. The company also provides a range of innovative and renewable insurance solutions for individuals, small and medium enterprises and the corporate sector. Al-Rajhi Takaful is proud of its continuous commitment to the principles and values that enhance its excellence in customer care in all its dealings.



## 02

# Company's Strategy

Al-Rajhi Takaful is investing the promising opportunities within the market in light of the anticipated economic developments for the Kingdom's Vision 2030, and working to overcome the challenges in the market by harnessing all available resources, on top of which is the work team that has high and global experience in the field of insurance, enhanced by a range of distinctive insurance products, which have been marketed through multiple sales channels and keeping pace with the changes including the digital transformation and harnessing the technical capabilities in order to achieve the aspirations of customers, both individuals and corporate, to reach the desired goal to make Al-Rajhi Takaful the leading company in the field of insurance.





# Significant Developments

## Significant Developments during the fiscal year ended on 31 December 2022

### a. Extraordinary General Assembly

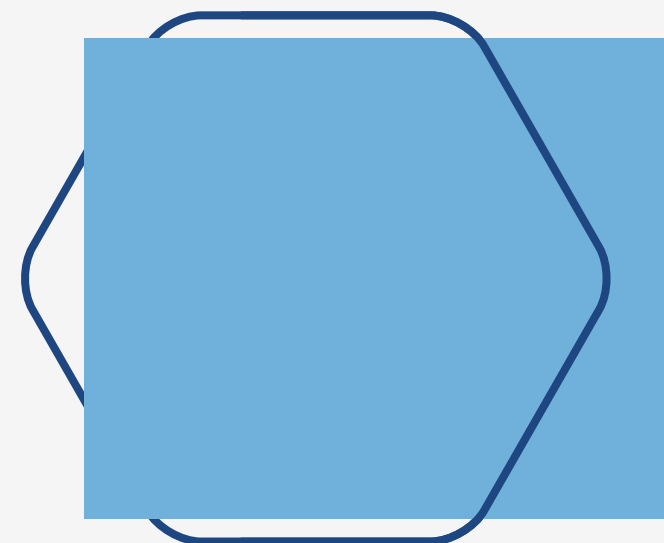
Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces the results of the Ordinary General Assembly meeting (the first meeting), which was held at 08:00 PM, 22-10-1443 AH Corresponding to 23-05-2022, and tackled the following:

1. Approving the Board of Directors' report for the fiscal year ending 12/31/2021.
2. Approving the Company's auditors 'report for the fiscal year ending 12/31/2021.
3. Approving the financial statements for the fiscal year ending on 31/12/2021.
4. Approving the Board of Directors' quittance for the fiscal year ending 31/12/2021.
5. Approving the remuneration of the Board of Directors for their membership for a total amount of (SR 1,459,234.15) for the fiscal year ending 31/12/2021.
6. Approving appointing the Company's auditors among the candidates and fixing their fees, based on the recommendation of the Audit Committee, to inspect, review
  - Al-Ayuti and Partners as certified accountants and auditors.
  - Al-Azm, Al-Sudairy, Al-Sheikh and Partners (Crowe)

7. Approving amending the remuneration policy for members of the Board of Directors and its sub-committees.
8. Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Rajhi Bank, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, and the board members: Mr. Saleh bin Abdullah Al-Zumai, Mr. Waleed Abdullah Al Mogbel, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to SR 709,180.



9. Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Saudi Co. For Mfg. Carpet Materials, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 60 thousand riyals.



10. Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Rajhi Capital Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Board Members: Mr. Saleh Abdullah Al Zumaie, Mr. Waleed Abdullah Al Mogbel, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 1,144 thousand riyals.

11. Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Rajhi Capital Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, and Board Members: Mr. Saleh Abdullah Al Zumaie, Mr. Waleed Abdullah Al Mogbel, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is income and fees for investment funds, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 8,732 thousand riyals.

12. Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Fursan Travel Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 1,108 thousand riyals.



**13.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Fursan Travel Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is travel services for the Company's staff, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 1,447 thousand riyals.

**14.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Farabi Petrochemical Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 18,998 thousand riyals.

**15.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Al-Rajhi Takaful Agency, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Board Members: Mr. Saleh Abdullah Al-Zumaie, Mr. Waleed Abdullah Al Mogbel, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the board member Mr. Naif Abdullah Al-Rajhi have

an indirect interest, which is insurance policies and commissions, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 was 7 thousand riyals.

**16.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Marami Food Industries Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al Rajhi have an indirect interest, which is



insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 209 thousand riyals.

**17.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Mada for industrial and commercial investment Company,

in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi has an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 502 thousand riyals.

**18.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Digital Trip Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 82 thousand riyals.

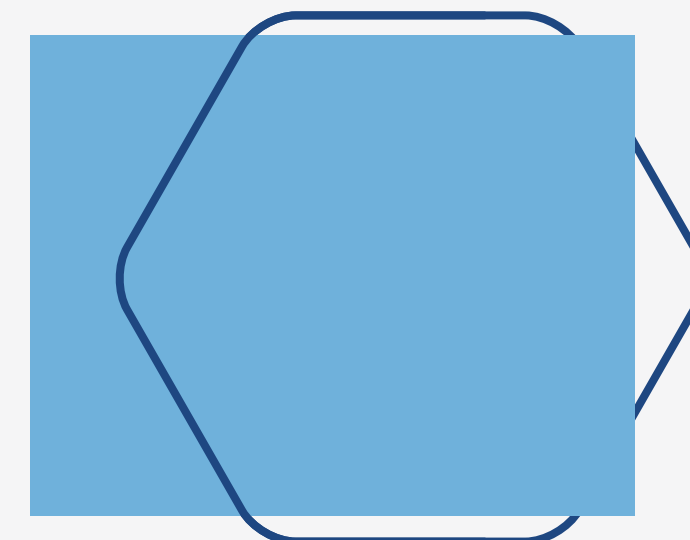
**19.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Jubail Saudi Company for Geotextile, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect

interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 25 thousand riyals.

**20.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and Sulaiman Al-Rajhi Real Estate Investments Company, in which the Chairman Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest,



which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 19 thousand riyals.

**21.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Saudi Waterproofing Company, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any Preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 97 thousand riyals.

**22.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Green Vision Company, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential

terms or advantages, noting that the value of transactions during the year 2021 amounted to 38 thousand riyals.

**23.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Triomada Plastic International Co., in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 454 thousand riyals.

**24.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Takatuff Holding Group, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 47 thousand riyals.

**25.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Al Rajhi Holding Group, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 192 thousand riyals.

**27.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Homeland Legacy Real Estate Development Company, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 286 thousand riyals.

**28.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Jeddah Legacy Real Estate Development Company, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 3 thousand riyals.

**26.**

Approving the contracts and business between Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful) and the Green Hills Real Estate Development Company, in which the Chairman of the Board of Directors Mr. Abdullah Sulaiman Al-Rajhi, the Vice-Chairman Mr. Saud Abdullah Al-Rajhi, and the Board Member Mr. Naif Abdullah Al-Rajhi have an indirect interest, which is insurance policies, and to be licensed for the coming year without any preferential terms or advantages, noting that the value of transactions during the year 2021 amounted to 11 thousand riyals.

b. Significant developments related to the Saudi Central Bank during the fiscal year ending on 31 December 2022:

The company has received the approval of the Central Bank of Saudi Arabia (SAMA) for the following products:

- 1. Comprehensive vehicle insurance product in accordance with the comprehensive vehicle insurance rules issued by the Central Bank of Saudi Arabia on 11/08/2022 AD. The date of receiving the approval is 12-29-2022 AD.
- 2. Construction guarantee insurance product for buildings for group clients. The date of receiving the approval is 09-25-2022 AD.

c. Significant developments related to the Health Insurance Council during the fiscal year ending on 31 December 2022:



The company received an e-mail from the General Secretariat of the Cooperative Health Insurance Council on 05/26/1443 AH corresponding to 12/30/2021, including the renewal of the company’s qualification at the Council of Cooperative Health Insurance for a period of one year starting from 01/03/2022.

d. Significant developments related to the strategic agreements concluded with the company during the fiscal year ending on 31 December 2022:

- 1. The Company signed a contract with Rabigh Refining and Petrochemical Company (Petro Rabigh) on 12-27-2022



e. Important developments related to the membership of the Board of Directors:

There are no significant developments related to the membership of the Board of Directors during the fiscal year ending on December 31, 2022.



A modern office interior with a blue tint. The scene shows rows of white desks with black office chairs. A person is visible at a desk in the background. The ceiling has exposed ductwork and lights. A large, dark blue, curved shape is overlaid on the right side of the image, and a thin orange line curves across the top. The bottom left corner features a pattern of white dots.

# **Description of major types of activities, plans**

# 04

## Description of major types of activities, plans, decisions and future expectations for the company's business:

The company has carried out the insurance activity in the Kingdom of Saudi Arabia according to the following classification:



### General insurance:

It includes a number of products, including but not limited to, vehicle insurance, engineering insurance, fire, general accident policies, marine insurance, and insurance against medical errors;



### Health insurance:

It includes providing health insurance programs for small, medium and large groups in line with the market needs and consistent with the Council of Cooperative Health Insurance system.



### Protection and savings insurance:

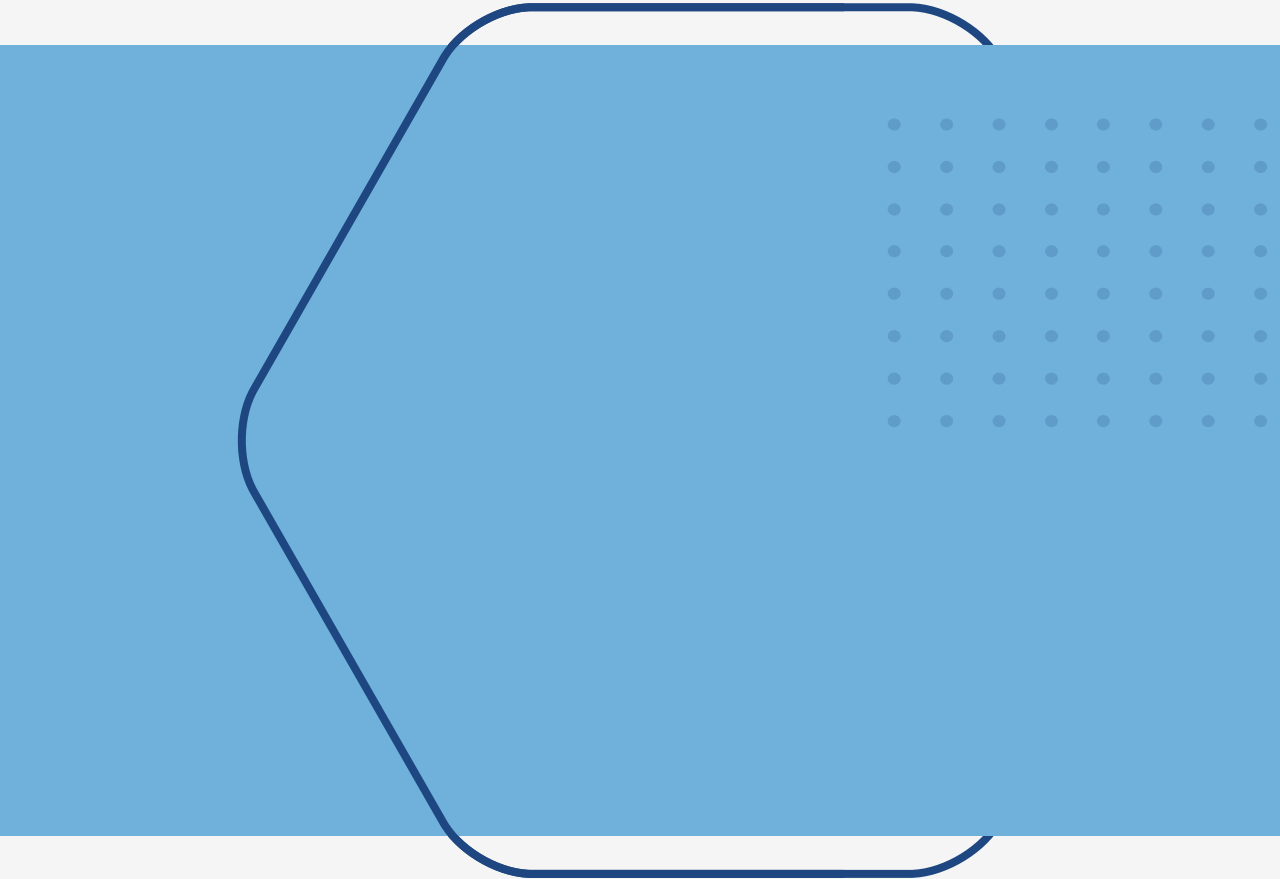
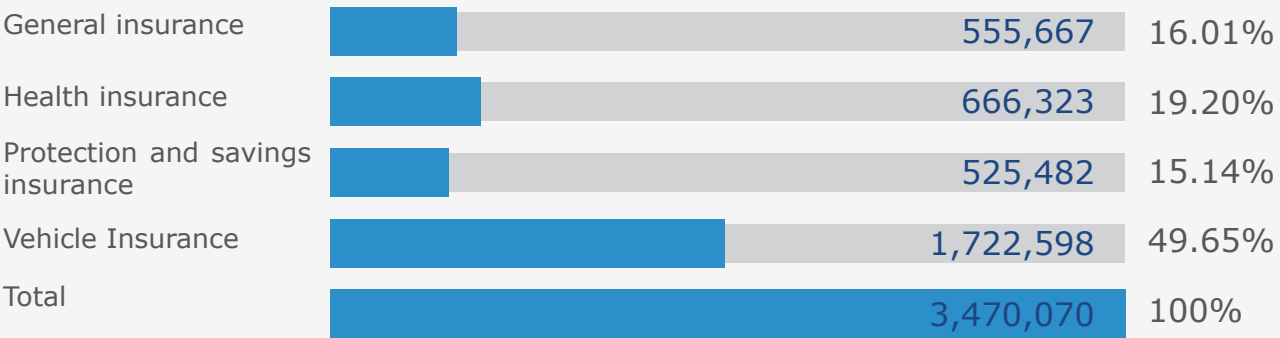
It includes providing insurance and savings programs for individuals and groups, including but not limited to investment, education, retirement, group insurance and debt insurance.

A statement of results of these sectors and their impact on the volume of business and their contribution to the company’s outcomes for the year 2022 is detailed as follows:

	Income Statement – Policyholders	General	Vehicles	Health	Protection and savings	Total
1	Total subscribed Takaful contributions	555,667	1,722,598	666,323	525,482	3,470,070
2	Net subscribed Takaful contributions	36,657	1,712,897	666,323	370,130	2,786,007
3	Net earned Takaful contributions	40,681	1,499,148	532,005	371,995	2,443,829
4	Reinsurance commissions and other revenues	37,574	5,587	(3)	2,691	45,849
5	Total subscription revenues	78,255	1,504,735	532,002	374,686	2,489,678
6	Total paid-up claims	(37,923)	(1,334,233)	(340,270)	(234,332)	(1,946,758)
7	Net incurred claims	(8,989)	(1,222,581)	(456,947)	(130,040)	(1,818,557)
8	Subscription costs of insurance policies	(13,633)	(183,204)	(25,899)	(119,148)	(341,884)
9	Other expenses	1,374	(6,331)	(5,580)	(74,942)	(85,479)
10	Total claims and other expenses	(21,248)	(1,412,116)	(488,426)	(324,130)	(2,245,920)
11	Surplus of subscription operations for the period	57,007	92,619	43,576	50,556	243,758
12	Provision for doubtful debts	0	0	0	0	20,846
13	Investment income	0	0	0	0	61,286
14	Other revenues	0	0	0	0	12,641
15	Management fees related to operating activities	0	0	0	0	(259,641)
16	Net annual surplus	0	0	0	0	78,890
17	Management fees related to the operating activities of the shareholders	0	0	0	0	(71,001)
18	Net distributable surplus for policyholders	0	0	0	0	7,889

\* Outcomes of the company’s sectors for the year 2022 in thousands of Saudi riyals

The impact of these main activities on the company’s business volume in thousands Saudi riyals and its contribution to the results is detailed as follows:





**Description  
of significant  
schemes, decisions**



# 05

## Description of significant schemes, decisions, future expectations and risks of the company's business

In line with the general strategy of the company and the directives of the Board of Directors, the company's management exerts great efforts to enhance its technical capabilities, and develop human resources. In addition to work on e-business applications and raise the efficiency of the infrastructure in order to fulfill its technical capacity and increase its share in the local market, geographical spread, and improve performance in the departments of subscription, claims, marketing and sales to ensure better outcomes. Additionally, the Human Resources Department has been concerned with attracting competencies in order to support the technical and administrative company's staff, along with adhering to the rates determined by the regulatory authorities regarding Saudization by virtue of a well-informed plan, with its application at all administrative levels of the company. Accordingly, the company anticipates encountering several future risks that could affect its business, namely:

### a.

#### Risks of Reinsurance

Throughout its business cycle, the company reinsures with other parties in order to reduce the potential financial losses that may arise from the massive insurance claims, as the entrusted reinsurance agreements do not exempt the company from its obligations towards policyholders. Hence, the company exerts its effort to reduce the risk of losses arising from the bankruptcy of reinsurance companies, which assisted on assessing the financial position for the reinsurance companies and control the credit risks resulting in geographical areas and activities and economic characteristics similar to reinsurance firms.

### b.

#### Capital Management Risks

Capital risk is determined by the Saudi Central Bank, with the purpose of providing sufficient liquidity in the event of the company's bankruptcy. The company also sets other objectives to maintain the balance of capital ratios in order to support the company's objectives and increase the interest in favor of the shareholders.

### c.

#### Risks related to Regulatory Requirements

The company's operations are subject to the requirements of the regulations applicable in the Kingdom of Saudi Arabia. As these regulations shall not only require obtaining approvals and control the company's activity, but also impose certain restrictions such as capital adequacy to decline the risks of deficit and bankruptcy by reinsurers and to enable them to pay their unexpected obligations when they arise



Financial Outcomes

An analysis of the total assets, liabilities, income and expenses of the company’s Takaful operations for the year 2022 in thousands Saudi riyals compared to previous years is detailed as follows:

6-1

	List of Assets and Liabilities as in	2018	2019	2020	2021	2022
1	Takaful operations assets	2,857,512	2,618,488	3,056,016	3,181,959	3,935,720
2	Shareholders' assets	865,329	984,786	1,304,246	1,459,359	1,490,450
3	Total assets	3,722,841	3,603,274	4,360,262	4,641,318	5,426,170
4	Takaful operations liabilities	2,863,223	2,619,543	3,056,947	3,181,959	3,935,720
5	Shareholders' liabilities	91,217	108,512	190,934	191,798	183,236
6	Shareholders' equity	768,401	875,219	1,112,381	1,267,561	1,307,214
7	Total shareholders' liabilities and equity	859,618	983,731	1,303,315	1,459,359	1,490,450
8	Total liabilities of Takaful operations and shareholders' liabilities and equity	3,722,841	3,603,274	4,360,262	4,641,318	5,426,170

6-2

	List of Takaful Operations' outcomes	2018	2019	2020	2021	2022
1	Total subscribed Takaful contributions	2,973,594	2,569,804	2,732,873	2,759,590	3,470,070
2	Net subscribed Takaful contributions	2,863,003	2,436,136	2,316,152	2,207,727	2,786,007
3	Net earned Takaful contributions	2,861,229	2,639,011	2,332,958	2,261,039	2,443,829
4	Reinsurance commissions and other revenues	20,523	11,661	25,712	42,314	45,849
5	Total subscribed revenues	2,881,752	2,650,672	2,358,670	2,303,353	2,489,678
6	Total paid claims	(2,178,187)	(2,331,524)	(1,493,216)	(1,841,859)	(1,946,758)
7	Net incurred claims	(2,321,015)	(2,208,377)	(1,604,466)	(1,722,155)	(1,818,557)
8	Costs of insurance policies subscription	(109,522)	(110,352)	(149,515)	(191,027)	(341,884)
9	Other expenses	(50,946)	(49,261)	(63,742)	(63,661)	(85,479)
10	Total claims and other expenses	(2,481,483)	(2,367,990)	(1,817,723)	(1,976,843)	(2,245,920)
11	Subscription surplus for the period	400,269	282,682	540,947	326,510	243,758
12	Provision of doubtful debts	(50,528)	(17,759)	(44,143)	5,748	20,846
13	Investments and other revenues	70,918	72,738	62,805	58,829	73,927
14	Management fees for managing Takaful operations	(232,963)	(241,195)	(298,019)	(289,905)	(259,641)
15	Net surplus for the period/year	187,696	96,466	261,590	101,182	78,890
16	Management fees relevant to the operating activities of the shareholders	(168,926)	(86,819)	(235,431)	(91,064)	(71,001)
17	Net surplus distributable to policyholders	18,770	9,647	26,159	10,118	7,889

6-3

	List of Shareholders' Operations	2018	2019	2020	2021	2022
1	Management fees for managing Takaful operations	232,963	241,195	298,019	289,905	259,641
2	Management fees related to the operating activities of the shareholders	168,926	86,819	235,431	91,064	71,001
3	Investment and other revenues	16,101	22,066	16,415	24,319	28,867
4	Total revenue	417,990	350,080	549,865	405,288	359,509
5	General and administrative expenses	(232,963)	(241,195)	(298,019)	(289,905)	(259,641)
6	Net income for the period before Zakat	185,027	108,885	251,846	115,383	99,868
7	Zakat provision	(19,500)	(22,700)	(24,800)	(16,912)	(10,250)
8	Net income for the period after Zakat	165,527	86,185	227,046	98,471	89,618
9	Profit per share (SAR) after Zakat	4.14	2.15	5.68	2.46	2.24

07

Auditors’ reservations on the annual financial statements

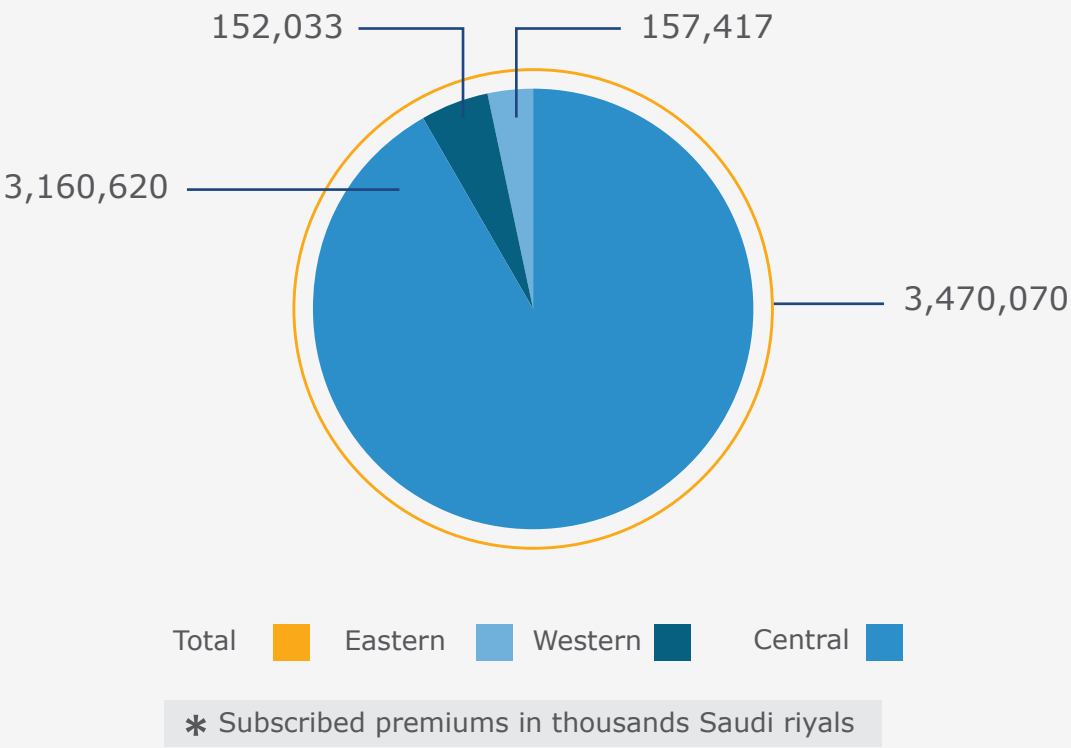
The auditors’ report clarifies that the financial statements are free from any material errors, and there are no reservations towards such financial statements.

08

Geographical analysis of the revenues of the company and its subsidiaries outside the Kingdom of Saudi Arabia

The company’s activities are generally carried out within the Kingdom of Saudi Arabia; i.e. the written premiums are for favor of clients inside the Kingdom and there are no subsidiaries for it abroad.

The following is the distribution of the subscribed premiums to the regions of the KSA for the year 2022:



## Operating Results and fundamental differences

- 01** • The net profit before calculating Zakat during the year 2022 is 99,868 thousand Saudi riyals, compared to the net profit before Zakat, which amounted to 115,383 thousand Saudi riyals for the previous year, with a decrease of 13.45%.
- 02** • Profitability per share during the year 2022 amounted to 2.24 Saudi riyals, compared to the sum of 2.46 Saudi riyals per share for the previous year, with a decrease of 8.92%.
- 03** • The surplus of insurance operations with deducing the investment income of policyholders (operating results) during the year 2022 was 17,604 thousand Saudi riyals, compared to an amount of 42,353 thousand Saudi riyals for the previous year, with a decrease of 58.44%.
- 04** • The Gross written premiums (GWP) during 2022 amounted to 3,470,070 thousand Saudi riyals, compared to 2,759,590 thousand riyals for the previous year, with an increase of 25.75 %.
- 05** • The net incurred claims during 2022 reached 1,818,557 thousand Saudi riyals, compared to an amount of 1,722,155 thousand Saudi riyals for the previous year; i.e. an increase of 5.60 %.
- 06** • The net investment profits of policyholders 'investments during the year 2022 amounted to 61,286 thousand riyals, compared to 58,829 thousand riyals for the previous year; i.e. an increase of 4.18%. While the net profits of investments of shareholders' funds during the year 2022 amounted to 28,782 thousand riyals, compared to a sum of 23,291 thousand riyals for the previous year, i.e. an increase of 23.57%.
- 07** • The Net Profit before Zakat has decreased by SR 15,515 thousand (13.45%) primarily due to the increase in net claims incurred by SAR 96,402 thousand (5.60%), policy acquisition costs by SAR 150,857 thousand (78.98%). The above impact is partially offset by increase in net contributions earned by SAR 182,791 thousand (8.09%), decrease in allowance for doubtful debts by SAR 15,098 thousand (262.67)%, decrease in General and administrative expenses by SAR 30,264 thousand (10.44)% and increase in Other income by SAR 11,698 thousand (1,137.94%).

## Accounting Standards applied to the financial statements

By virtue of the requirements of the Saudi Central Bank and the Capital Market Authority, the financial statements have been prepared as per the international standards of financial reporting and have not been prepared in accordance with the generally adopted accounting standards issued from the Saudi Organization for Certified Public Accountants (SOCPA). Accordingly, the company confirms that there are no material differences or financial impact on the financial statements as a result of preparing them in accordance with the international standards other than Saudi accounting standards.

11

Subsidiaries and their main activities

The company conducts the insurance business within the Kingdom of Saudi Arabia only, and it has no subsidiary companies, whether inside or outside the Kingdom

excluding its contribution to Najm Insurance Services Company, as follows:

Subsidiary Name	Najm Insurance Services Company
Legal entity	A closed Saudi joint stock company
Main activity	Insurance services
Headquarter State of its operations	Kingdom of Saudi Arabia
State of incorporation	Kingdom of Saudi Arabia
Capital	Saudi riyals 55,769,320
Company's share	3.45%



12

Number of the company’s requests for the shareholders’ register, the dates and reasons for those requests

	Date of request	Reasons for request
1	10/01/2022	Company's procedures
2	03/02/2022	Company's procedures
3	01/03/2022	Company's procedures
4	07/04/2022	Company's procedures
5	09/05/2022	General assembly
6	06/06/2022	Company's procedures
7	05/07/2022	Company's procedures
8	17/08/2022	General assembly
9	07/09/2022	Company's procedures
10	19/09/2022	Company's procedures
11	20/09/2022	Company's procedures
12	05/10/2022	Company's procedures
13	02/11/2022	Company's procedures
14	06/12/2022	Company's procedures
Total requests		14

# 13

## Dividend Policy

### Dividends Distribution Mechanism

The dividends payment is based on the assessment and recommendations of the company’s Board of Directors, pursuant to Article (45) of the company’s Articles of Association, after authorizing the Board of Directors by the ordinary General Assembly thereof, and this authorization is awarded annually after deducting all general expenses and other costs as follows:

1. Saving Zakat and prescribed income tax;
2. Saving 20% of net profits to form the company’s statutory reserve. Thus, the Ordinary General Assembly may stop such saving when the said reserve amounts to 100% of the paid-off capital;
3. Cash dividends, which have to be distributed to shareholders, are deposited in their accounts connected to their investment portfolios, while the granted shares shall be deposited in shareholders’ investment portfolios after declaring thereof on the Saudi Stock Exchange website (Tadawul);
4. When the decision to distribute interim profits is made, the company shall immediately disclose and declare thereof and provide the Authority with a copy of such decision upon its issuance.

### Maturity of Dividends

The shareholder is entitled his share in the profits according to the General Assembly resolution issued in this regard depending on the recommendation by the Board of Directors, and the decision outlines the date of entitlement and the date of distribution. Moreover, dividends shall be due for the shareholders registered at the shareholders’ records at the end of the day sets for maturity. The Profits that have to be distributed to shareholders shall be paid at the place and dates designated by the Board of Directors, in accordance with the instructions issued by the competent authority.



The shareholders’ equity at the end of the year 2022 amounted to 1,307,214 thousand Saudi riyals compared to 1,267,561 thousand riyals for the last year, i.e. with an increase of 39,653 thousand riyals at 3.13%. Regarding the statutory reserve, it reached an amount of 196,109 thousand Saudi riyals compared with 178,186 thousand riyals for the last year, i.e. with an increase of 17,923 thousand riyals at 10.06%, while the retained earnings amounted to 667,246 thousand riyals comparing to 595,551 thousand riyals, i.e. with an increase of 71,695 thousand riyals at 12.04%. Given that the management wished to enhance and support the financial position and strengthen the solvency margin of the company, profits would not be distributed to shareholders for this year. In the future, the company would work to take the appropriate decision with respect to the distribution of profits to shareholders.



14

Description of interest, and option, and subscription rights attributing to members of the Board, senior executives, their spouses and their minor children, in shares or debt instruments of the company or its subsidiaries

	Name of the Board Member	Position	(Beginning of the period)		(End of the period)		Ownership percentage in the company’s shares	Number of shares owned by spouses and minor children
			Number of shares owned	Debt instruments	Number of owned shares	Debt instruments		
1	Mr. Abdullah bin Sulaiman Al-Rajhi(Represented by the share of Al-Rajhi Insurance Limited Company -Bahrain)	chairman	10,600,000	0	10,600,000	0	%26.50	0
2	Mr. Saud bin Abdullah Al-Rajhi	Vice chairman	600,000	0	600,000	0	%1.5	0
3	Mr. Ahmed Samer bin Hamdi Al-Zaeem	Board member	32,000	0	32,000	0	%0.08	0
4	Mr. Ali bin Hadi Al Mansour	Board member	0	0	0	0	0	0
5	Mr. Naif bin Abdullah Al-Rajhi	Board member	21,167	0	71,724	0	%0.17931	0
6	Mr. Nabil bin Ali Shoaib	Board member	0	0	0	0	0	0
7	Mr. Waleed bin Abdullah Al Mogbel (Representative of Al-Rajhi Bank)	Board member	9,000,000	0	14,000,000	0	%35	0
8	Mr. Muhannad bin Qusay Al-Azzawi	Board member	10	0	10	0	%0.000025	0

## 15

## Description of any interest, contractual papers and subscription rights belonging to senior executives and their relatives in the company's shares or debt instruments

There is no interest, contractual papers and subscription rights of the senior executives and their relatives in the company's shares or debt instruments.

## 16

## Description of any interest, contractual papers and subscription rights of the board members and their relatives in the shares or debt instruments of the subsidiary

There is no interest, contractual papers and subscription rights of the Board members and their relatives in the shares or debt instruments of the subsidiary company.

## 17

## Description of any interest, contractual papers and subscription rights of senior executives and their relatives in the shares or debt instruments of the subsidiary

There is no interest, contractual papers and subscription rights of senior executives and their relatives in the shares or debt instruments of the subsidiary company.

# 18

## A Brief on the Senior Executive Employees in the Company

### Mr. Mahmoud Salim Dahduli:

- **A Saudi National**
- **The Chief Executive Officer**
- **Qualifications and experience**

Holds a master's degree in Islamic Banking from the University of Wales in the United Kingdom and has held several leadership positions during his tenure of more than 18 years, the last of which was the Chief Strategy Officer in the company in 2019, before which he held several positions, including Head of the Retail Sector in the Real Estate Development Fund between 2018 and 2019.

### Mr. Muhammad Imran Bashir:

- **Pakistani National**
- **Acting Chief Financial Officer**
- **Qualifications and experience**

Qualified financial professional with over 15 years of advanced working experience leading departments in financial operations with expertise in insurance, underwriting and claims. He has diverse experience in the field of finance, auditing, advisory services and investment portfolio management. He holds several professional certificates, including Associate Accountant (ICAP) from the Chartered Institute of Pakistan, Cost Management Accountant (CMA) from the Institute of Management Accountants in the United States of America, Chartered Accountant from the Institute of Public Accounts Finance in Pakistan.

### Mr. Ahmed Al Kanani:

- **Saudi National**
- **Chief Motor Officer**
- **Qualifications and experience**

Holds a Bachelor's degree in Finance from King Fahd University of Petroleum and Minerals. He joined the company in 2019, and held several positions in it, including Chief of protection and savings product, in addition to the chief of Corporate Development in the company. Prior to that, he held several positions, including a portfolio manager in the Real Estate Development Fund, a consultant in Al Motahedon for Consulting Services, and holds several professional certificates. Among them are the Certified Financial Manager (CFM) from the International Academy of Business and Financial Management, in addition to the Certified Business Analysis (CBA) from the International Academy of Business and Financial Management.

### Mr. Antony Brown

- **British National**
- **Chief Health Officer**
- **Qualifications and experience**

holds a Diploma in Marketing Management (Graduate Institute of Marketing Management), in addition to a Higher Diploma in Business Administration (Damlin Educational Group / Institute of Administrative Sciences). He headed the Regional Director at InterGlobal UK Private International Medical Insurance between 2008-2014. In addition to the Regional Director in Africa for Aetna International during the period 2014-2022.

### Mr. Wail Abdulaziz Al Ahmed

- **Saudi National**
- **Chief General Officer**
- **Qualifications and experience**

holds a bachelor's degree from Southern Methodist University, USA, and a diploma from the British Insurance Institute in the United Kingdom. He has more than 14 years of professional experience, where he held several positions, the last of which was the Director of the Insurance Department at the Saudi Telecom Company, in addition to the Director of SABB Cap (Self-Insurance Company) SABIC, and the Director of Insurance at ACWA Power.

### Mr. Fahad Saad Al Sabti

- **Saudi National**
- **Chief Technology Officer**
- **Qualifications and experience**

holds a bachelor's degree in computer science from King Saud University. He has 16 years of experience in IT management and IT transformation programs, and previously held several positions, including Chief Information Officer at the Communications and Information Technology Commission, as well as Chief Information Officer at the Ministry of Commerce

### Mr. Thamer Abdullah Al Nouri

- **Saudi National**
- **Chief of Strategic Partnerships Department**
- **Qualifications and experience**

holds a Master's degree in Business Administration from King Abdulaziz University. He has more than 22 years of professional experience and has a variety of experience in the field of developing and selling financing and investment products as well as insurance products. He held several leadership positions during his work in the banking sector, the most recent of which was Head of Bancassurance and Product Development. After that, he worked in the insurance sector as Head of Marketing and Sales in one of the companies Insurance from 2021 to 2022.

### Mr. Yasser Al Mushaiqih

- **Saudi National**
- **Acting Chief Human Capital and Corporate Affair**
- **Qualifications and experience**

holds a bachelor's degree in management systems from the Arab Open University. He has over 16 years of professional experience in insurance, consumer goods and banking, with experience working in HR-oriented roles in recruitment, training, policy development, staffing, people management, change management, performance management and process improvement.



19

Meetings of Board of Directors

The Board of Directors convened four periodic meetings during the period from 1/1/2022 to 31/12/2022, hereunder is the attendance sheet of these meetings.

	Member's Name	Meeting 57	Meeting 58	Meeting 59	Meeting 60	No. of meetings
		20/02/2022	30/06/2022	11/09/2022	12/12/2022	
1	Mr. Abdullah bin Sulaiman Al Rajhi	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	4
2	Mr. Saud bin Abdullah Al Rajhi	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	4
3	Mr. Ahmed Samer bin Hamdi Al Zaeem	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	4
4	Mr. Waleed bin Abdullah Al Mogbel	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	4
5	Mr. Naif bin Abdullah Al Rajhi	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	3
6	Mr. Ali bin Hadi Al Mansour	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	4
7	Mr. Nabil bin Ali Shoaib	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	4
8	Mr. Muhannad bin Qusay Al-Azzawi	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	4

☒ Present      ☒ didn't Present

20

Contracts with the related Parties

- A.**

No Board member shall be engaged in any lease contracts for the company, as naturally, some of the Board Directors are engaged in the insurance contracts, as the company provides its insurance services for all society categories, with the full adherence to the Rules of the Saudi Central Bank.
- B.**

No contracts shall be concluded between the Chief Executive Officer and Chief Financial Officer, or with any person related to any thereof excluding employment contracts.
- C.**

During the fiscal year, there were some transactions where the company was a party, and it is for the interest of some Board of Directors members.

Hereunder the details of the main transactions with the related parties during the period from 1/1/2022 to 31/12/2022, as stated in the financial statements notes.

1

Al Rajhi Bank							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Chairman	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	718,691
2	Board Member Mr. Waleed Al Muqbil	• Managing Director and Chief Executive Officer of Al Rajhi Bank					
3	Vice Chairman Mr. Saud Al Rajhi	• First Degree Relationship					
4	Board Member Mr. Naif Al Rajhi	• First Degree Relationship					

2

Al Rajhi Capital							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Chairman	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	1,544
2	Board Member Mr. Waleed Al Muqbil	• A company owned by Al-Rajhi Bank, of which he is Managing Director and Chief Executive Officer of Al Rajhi Bank					
3	Vice Chairman Mr. Saud Al Rajhi	• First Degree Relationship					
4	Board Member Mr. Naif Al Rajhi	• First Degree Relationship					

3

Al Rajhi Capital							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Chairman	Investment	One calendar Year	Ordinary business without any preferential conditions or benefits	Investment funds Revenues	10,082
2	Board Member Mr. Waleed Al Muqbil	• A company owned by Al-Rajhi Bank, of which he is Managing Director and Chief Executive Officer of Al Rajhi Bank				Paid investment management fee	2,694
3	Vice Chairman Mr. Saud Al Rajhi	• First Degree Relationship					
4	Board Member Mr. Naif Al Rajhi	• First Degree Relationship					

4

Fusran Travel							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Partner	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	1,671
2	Vice Chairman Mr. Saud Al Rajhi	• Partner					
3	Board Member Mr. Naif Al Rajhi	• Chief Executive Officer					

5

Fusran Travel							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Partner	Travel services for the Company's staff	One calendar Year	Ordinary business without any preferential conditions or benefits	Travel costs of the Company's staff	1,592
2	Vice Chairman Mr. Saud Al Rajhi	• Partner					
3	Board Member Mr. Naif Al Rajhi	• Chief Executive Officer					

6

Farabi Petrochemicals							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Chairman	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	19,306
2	Vice Chairman Mr. Saud Al Rajhi	• First Degree Relationship					
3	Board Member Mr. Naif Al Rajhi	• Board Member					

7

Marami Food Industries							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Partner	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	208
2	Vice Chairman Mr. Saud Al Rajhi	• First Degree Relationship					
3	Board Member Mr. Naif Al Rajhi	• Board Member					

8

Takatuff Holding Group							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Partner	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	81
2	Vice Chairman Mr. Saud Al Rajhi	• Partner					
3	Board Member Mr. Naif Al Rajhi	• Board Member					

9

Green Hills Real Estate Development Company							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• First Degree Relationship	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	39
2	Vice Chairman Mr. Saud Al Rajhi	• Manager					
3	Board Member Mr. Naif Al Rajhi	• Manager					



10

Homeland Legacy Real Estate Development Company							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Manager	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	370
2	Vice Chairman Mr. Saud Al Rajhi	• Manager					
3	Board Member Mr. Naif Al Rajhi	• First Degree Relationship					

11

Jeddah Legacy Real Estate Development Company							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• First Degree Relationship	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	1
2	Vice Chairman Mr. Saud Al Rajhi	• Manager					
3	Board Member Mr. Naif Al Rajhi	• First Degree Relationship					

12

Digital Trip							
	Related Party	Capacity	Activity	Contract Duration	Conditions	Illustration	Amount (SR '000)
1	Chairman Mr. Abdullah Al Rajhi	• Partner	Insurance policies	One calendar Year	Ordinary business without any preferential conditions or benefits	Written Contribution	98
2	Vice Chairman Mr. Saud Al Rajhi	• First Degree Relationship					
3	Board Member Mr. Naif Al Rajhi	• General Manager					

Statutory Payments & Debts

The company does not have any loans, debts, fees or amounts payable during the fiscal year 2022

while the following table shows the statutory payments and dues during the year.

	Description	Amount in thousand Saudi riyals
1	Zakat and income paid in 2022	13,879
2	Supervision fees paid by SAMA, which are due for the year	17,335
3	Supervision fees by the Council of Cooperative Health Insurance in addition to the loading fees	6,812
4	Social insurance (The share of the company paid and charged to the year	9,362
5	Costs of visas and passports	225
6	Labor office fees	1,459
7	VAT	323,639
8	Amount of tax withheld	4,320
9	(Saudi Stock Exchange (Tadawul	546
Total		377,577

Investments or reserves for the benefit of company employees:

There are no investments made for the benefit of the company employees, while there is a provision for end of service benefits for company employees amounting to 22,812 thousand riyals, as well as protection insurance of 853 thousand riyals.

## Declarations:

The Company declares as follows:

- 1 That the account records were properly prepared.
- 2 That the internal control system was prepared on a sound basis and was effectively implemented.
- 3 There is no doubt about the company ability to continue its activity.
- 4 Al-Rajhi Takaful does not have any loans until the end of 2022.
- 5 There are no convertible debt instruments and any contractual securities, subscription right notes or similar rights issued or granted by the company during the fiscal year 2022.
- 6 There are no transfer or subscription rights under debt instruments convertible into contractual securities, subscription right notes or similar rights issued or granted by the company.
- 7 There are no refunds, purchases or cancellations on the part of the company for any refundable debt instruments.

# 24

## Corporate Governance Regulation

The company seeks, as part of its keenness on the interests of shareholders, to apply the highest levels of transparency, disclosure and participation in decision-making in a way that achieves the company objectives and the aspirations of its customers; so the company is committed to implementing the provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority.

With regard to the indicative provisions (which are not mandatory), the company is committed to fully implementing them, except for what the company is working on achieving in the future, which are:

Article No. : Forty one	
Article	Reasons for non-enforcement of article
(Evaluation) Evaluate the performance of the members of the Board and the subsidiary committees	Guide Article / The company internally evaluates the performance of board members and committees

Article No. : Eighty seven	
Article	Reasons for non-enforcement of article
Social responsibility	Guide Article / The company contributes to social activities through some special events.

Article No. : Ninety five	
Article	Reasons for non-enforcement of article
The formation of the Corporate Governance Committee	Indicative Article/the mandatory limit of board committees was formed

# 25

## Sanctions and Penalties

Executive decisions of the Saudi Central Bank:

	Supervisory violations of the Central Bank instructions	Previous fiscal year 2021		Current fiscal year 2022	
		Number of executive decisions	The total amount of fines in Saudi riyals	Number of executive decisions	The total amount of fines in Saudi riyals
1	Violations of the Central Bank instructions for protecting customers	5	135,000	4	808,933.30
2	Violations of the Central Bank instructions regarding due diligence in combating money laundering and terrorist financing	1	40,000	0	0
3	Violations of the Central Bank instructions regarding due diligence in combating money laundering and terrorist financing	0	0	0	0

Ways to remedy the Central Bank violations:

With regard to fines related to the Central Bank, the company has updated its work policies and procedures in line with the requirements of the Saudi Central Bank.

Other Violations:

#	Authority	Amount of Violation in riyals	Details of Violation	Ways of Remedy
1	ministry of municipal and rural affairs and housing	5000	- No license	- written undertakings to correct violations or vacate the site were signed. - The site has been vacated



Company Announcements:

With regard to the company announcements that were published on Tadawul website during the year 2022, they are as follows:



1

02/01/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces the annual renewal of its qualification with the Council of Health Insurance.

2

07/03/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces its financial results for the period ending on 31-12-2022

3

26/04/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces inviting its shareholders to attend the Ordinary General Assembly Meeting (First Meeting)

6

10/08/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces the interim financial results for the period ending on 06-30-2022 (six months)

7

11/08/2022

Corrective announcement from Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) regarding the announcement of the interim financial results for the period ending on 06-30-2022 (six months)

8

23/08/2022

Corrective announcement from Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) regarding the announcement of the interim financial results for the period ending on 06-30-2022 (six months)

4

09/05/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces the interim financial results for the period ending on 31-03-2022 (three months)

5

24/05/2022

Al Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces the results of the Ordinary Assembly Meeting (First Meeting)

9

26/09/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces that it has obtained the final approval of the Central Bank of Saudi Arabia for a product

10

06/11/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces the interim financial results for the period ending on 09-30-2022 (Nine Months)

11

27/11/2022

Al-Rajhi Cooperative Insurance Company (Al Rajhi Takaful) announces the signing of a contract with Rabigh Refining and Petrochemical Company (Petro Rabigh)



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A list of the dates of the general assemblies of shareholders held during the last fiscal year and the names of the members of the board of directors attending these assemblies:

The Ordinary General Assembly of the shareholders was held on 23/05/2022 through the means of modern technology and was attended by



Abdullah bin Sulaiman Al-Rajhi	Chairman
Saud bin Abdullah Al-Rajhi	Vice Chairman
Waleed bin Abdullah Al Mogbel	Member
Ahmad Samer bin Hamdi Al-Zaeem	Member
Ali bin Hadi Al Mansour	Member
Nabil Ali bin Shoaib	Member
Muhannad bin Qusay Al-Azzawi	Member

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Actions taken by the Board of Directors to inform its members - especially non-executives - of shareholders’ proposals and comments about the company and its performance

The Secretary of the Board of Directors is responsible for receiving all proposals and notes about the company and its performance and submitting them to the members of the Board of Directors for discussion during the periodic meetings.

29

Audit Committee’s recommendations that conflict with the decisions of the Board of Directors, or which the Board refused to take into account regarding the appointment and dismissal of the company auditor, determining his fees and evaluating its performance or appointing the internal auditor, the rationale for those recommendations, and the reasons for not taking them into account

There are no recommendations of the audit committee that contradict the decisions of the board of directors, and the board of directors has not rejected any recommendations regarding the appointment of an auditor for the company, dismissal thereof, determination of fees and evaluation of his performance.

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## Board of Directors

The company is managed by a board of directors consisting of (8) members, and the board was reconstituted at the Ordinary General Assembly meeting on 05/05/2021 for a period of three years as of 30/05/2021. The elected board of directors in accordance with the requirements of Article 16 of the Corporate Governance Regulations is formed as follows:



**Mr. Waleed bin Abdullah Al Mogbel**  
(representative of Al-Rajhi Bank)  
Board member - Non-executive



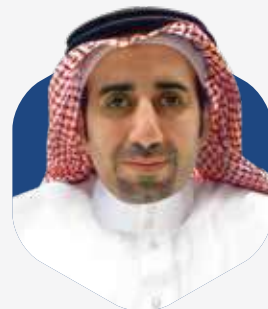
**Mr. Ahmad Samer bin Hamdi Al-Zaeem**  
Board member - Non-executive



**Mr. Naif bin Abdullah Al-Rajhi**  
Board member - Non-executive



**Mr. Abdullah bin Sulaiman Al-Rajhi**  
Chairman - Non-executive



**Mr. Saud bin Abdullah Al-Rajhi**  
Vice Chairman - Non-executive



**Mr. Ali bin Hadi Al Mansour**  
Board member - Independent



**Mr. Nabil bin Ali Shoaib**  
Board member - Independent



**Mr. Muhannad bin Qusay Al-Azzawi**  
Board member - Independent

31

## Names of companies inside or outside the Kingdom of which a member of the company board of directors is a member of its current and previous boards of directors or of its managers:

Mr. Abdullah bin Sulaiman Al-Rajhi							
Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint (Stock/ Limited Liability Company	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint (Stock/ Limited Liability Company		
Al-Rajhi Bank	Inside the Kingdom	Listed joint stock	Al-Rajhi Bank (CEO)	Inside the Kingdom	Listed joint stock		
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)			Saudi Company for Manufacturing Carpet Materials		Limited liability company		
Al-Rajhi Capital Co.		Unlisted joint stock	Mattex Geosynthetic Factory of Jubail Saudi Company For Geotextile Solutions				
Al-Rajhi Holding Group Company			Green Vision Co.				
Farabi Petrochemicals Co.			Farabi Investment Co.				
Indoor and outdoor flooring tissue solutions holding company			Farabi Yanbu Petrochemicals Co.				
Al-Ajial Holding Co.		Limited liability company	Farabi Converting Industries Co.				
Homeland Legacy Real Estate Development Company							
Najez Investment Holding Company							
Mirath Holding Company							



Mr. Ahmad Samer bin Hamdi Al-Zaeem							
Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint Stock/ Limited Liability Company)	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint Stock/ Limited Liability Company)		
Seera Holding Group	Inside the Kingdom	Listed joint stock	Saudi Modern Company for Specialized Electrical Cables & Wires Industry				
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)							
Saudi Modern Company for Metals, Cables and Plastic		Closed joint stock					
Riyadh Cables Group Company							
Saudi Company for the Manufacture of Telephone Cables							
International Trading Company for Ceramics and Building Materials Ltd.		Limited liability company				Riyadh Cables Co.	Inside the Kingdom
Gulf International Company for Home Supplies							
Saudi Modern Cables Company Ltd.							
Lighting Technologies Co., Ltd.							
Gulf International Company for Contracting and Real Estate Investment Ltd.							
Natural Unified Trading Company							
Silver Crown Co.							
Al-Rajhi Services Company							
Al-Rajhi Real Estate Development Company							
Emkan Finance Co.			Closed joint stock				
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)		Listed joint stock					

Mr. Saud bin Abdullah Al-Rajhi					
Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint (Stock/ Limited Liability Company	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint (Stock/ Limited Liability Company
IIB Investment Co.	Outside the Kingdom	Limited liability company	Al Tawfiq for Plastic Industries & Woven Sacks Co.	Inside the Kingdom	Limited liability company
Al Fursan Travel Co.	Inside the Kingdom		Hopper Co. Ltd		
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)		Listed joint stock			
SEMARK		Limited liability company			
Takatof Holding Co.					
The National Association of the Blind (Kafeef)					

Mr. Ali bin Hadi Al Mansour					
Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint (Stock/ Limited Liability Company	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint (Stock/ Limited Liability Company
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)	Inside the Kingdom	Listed joint stock			

Mr. Naif bin Abdullah Al-Rajhi					
Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint (Stock/ Limited Liability Company	Names of companies in which a member of the board of directors was a member of their previous boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint (Stock/ Limited Liability Company
Digital Trip Co. Ltd	Inside the Kingdom	Limited liability company			
Takatof Holding Co.					
Al Fursan Travel Co.					
Farabi Petrochemicals Co.		Unlisted joint stock			
SEMARK		Limited liability company			
Marami Food Industries Company					
Riyadh Chamber of Commerce		Non-profit government			
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)		Listed joint stock			

Mr. Waleed bin Abdullah Al Mogbel (representa-tive of Al-Rajhi Bank)					
Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint (Stock/ Limited Liability Company	Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint (Stock/ Limited Liability Company
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)	Inside the Kingdom	Listed joint stock	Simah	Inside the Kingdom	Closed joint stock

Mr. Nabil bin Ali Shoaib					
Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint (Stock/ Limited Liability Company	Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint (Stock/ Limited Liability Company
Al-Rajhi Company for Cooperative Insurance (Al-Rajhi Takaful)	Inside the Kingdom	Listed joint stock	SABB Takaful	Inside the Kingdom	Listed joint stock
			Simah		Unlisted joint stock
			HSBC Saudi Arabia		Closed joint stock

Mr. Muhannad bin Qusay Al-Azzawi					
Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/Unlisted Joint (Stock/ Limited Liability Company	Names of companies in which a member of the board of directors is a member of their current boards of directors or of their managers	Inside/outside the Kingdom	Legal Entity (Listed Joint Stock/ Unlisted Joint (Stock/ Limited Liability Company
General Authority of Civil Aviation	Inside the Kingdom	General Authority			
Saudi Contractors Authority					
Saudi Golf Federation					
Merrill Lynch Kingdom of Saudi Arabia		Closed Joint Stock			
Binladin International Holding Group					
GIB Saudi Arabia - Gulf International Bank					
Golf Saudi					
Taiba Investment		Listed joint stock			

## About the BOD Members



### Mr. Abdullah bin Sulaiman Al Rajhi

**Nationality**

- Saudi national

**He currently holds several positions:**

- Chairman of the Board of Directors of Al-Rajhi Bank
- Chairman of Al-Rajhi Capital
- Chairman of the Board of Directors of Farabi Petrochemicals Company
- the Chairman of the Board of Directors of Al-Rajhi Holding Group Company

**Prior to that he held several positions in Al-Rajhi Bank:**

- CEO
- Managing Director
- Vice Chairman of the Board of Directors.

**Qualifications and experience**

- holds BA of Business Administration from King Abdulaziz University, Kingdom of Saudi Arabia.



### Mr. Saud bin Abdullah Rajhi

**Nationality**

- Saudi national

**He currently holds several positions:**

- The Vice Chairman of the Board of Directors
- Managing Director of Takatuf Holding Group Company
- Chairman of the Board of Directors of IIB Management Company in Singapore
- Member of the Board of Directors of Al Fursan Travel Company
- the Chairman of Al-Tawfiq for Plastic Industries& Woven Sacks Ltd
- the Chairman of the Board of Directors of the Saudi Event Management & Marketing Company
- the Chairman of the Board of Directors of the Kafeef Organization in Riyadh

**Prior to that he held several positions:**

- Director of the Mada Textile Factory Project
- Financial Director for the Industrial Department of Al-Rajhi Holding Group Company.

**Qualifications and experience**

- holds a Bachelor's Degree in Financial Management from the American University in the United Arab Emirates in 2017.



### Mr. Waleed bin Abdullah Almogbel

**Nationality**

- Saudi national

**He currently holds several positions:**

- Member of the Board of Directors
- CEO of Al Rajhi Bank

**Prior to that he held several positions in Al-Rajhi Bank:**

- Chairman of the Operations Group and Finance Director at Al Rajhi Bank.

**Qualifications and experience**

- holds a Bachelor's Degree in Accounting from King Saud University in the Kingdom of Saudi Arabia, in 1995
- a Master Degree in Financial Accounting from the University of Southampton in the United States of America, in 2003
- a Ph.D. Degree in Accounting and Auditing from Cardiff University, in the United Kingdom in 2006



### Mr. Ahmad Samer bin Hamdi Al Zaeem

**Nationality**

- Saudi national

**He currently holds several positions:**

- A member of the Board of Directors
- Chairman of the Saudi Company for the Manufacture of Telephone Cables
- Vice Chairman of the Board of Directors of Seera Holding Group
- a member of the Board of Directors of the Riyadh Cables Group Company
- the Chairman of the Board of Directors of the Saudi Modern Company for Metals, Cables, and Plastic

**Prior to that he held several positions:**

- Director of the Mada Textile Factory Project
- Financial Director for the Industrial Department of Al-Rajhi Holding Group Company.

**Qualifications and experience**

- holds a Bachelor's Degree in Public Administration from the American University in Lebanon in 1987 AD,
- Bachelor's Degree in Economics from the State University of New York, in the United States of America in 1992



### Mr. Ali bin Hadi Al Mansour

#### Nationality

- Saudi national

#### He currently holds several positions:

- Member of the Board of Directors
- Executive Director of AlAwal Invest Company

#### Prior to that he held several positions:

- the Chief Executive Officer of Al-Ra'idah Investment Company
- the Investment Management Consultant at Jadwa Investment Company and Head of Portfolio Management at Saudi Aramco.

#### Qualifications and experience

- Bachelor's Degree in Finance from the University of North California in the United States of America in 2002
- a Master's Degree in Business Administration from King Fahd University of Petroleum and Minerals in the Kingdom of Saudi Arabia in 2008



### Mr. Naif bin Abdullah Al Rajhi

#### Nationality

- Saudi national

#### He currently holds several positions:

- Member of the Board of Directors
- CEO of Fursan Travel Company, General Manager
- Vice-Chairman of the Board of Directors of Digital Trip Ltd Company
- Board of Directors member of Takatuf Holding Company, Fursan Travel, Farabi Petrochemicals Company and Saudi Event Management & Marketing Company (SEMARK), and Marami food Industries Company
- the Vice Chairman of Board of Directors in the Riyadh Chamber
- Chairman of the Tourism Committee in the Riyadh Chamber
- Chairman of the Tourism committee of the council of Saudi Chamber.

#### Qualifications and experience

- holds a Bachelor's Degree in Financial Management from University of San Francisco, United States of America in 2012



### Mr. Nabil bin Ali Shoaib

#### Nationality

- Saudi national

#### He currently holds several positions:

- Member of the Board of Directors
- member of the Audit Committee at the National Finance Company

#### Prior to that he held several positions in Al-Rajhi Bank:

- a member of the board of directors in both SABB Takaful and the Saudi Credit Information Company (SIMAH)
- one of his most prominent professional positions was the Managing Director of HSBC Amanah (Islamic Banking)
- General Manager of Internal Audit at SABB Bank
- Chief Operating Officer and Executive Vice President of HSBC Saudi Arabia
- the General Secretary at SABB Bank.

#### Qualifications and experience

- holds a general certification of Education from London in 1980



### Mr. Muhannad bin Qusay Al-Azzawi

#### Nationality

- Saudi national

#### He currently holds several positions:

- Chief Executive Officer of the Saudi Industrial Construction and Engineering Projects Company Limited
- the Chief Executive Officer of the Saudi Technology and Trade Co. Ltd.
- the Chief Executive Officer Brokers Company for Development.

#### Qualifications and experience

- holds a Bachelor's degree in Engineering from King Saud University in the Kingdom of Saudi Arabia in 1993.



## 32

# Board of Directors' Committees

The company's Board of Directors exercises its functions through the main committees, including:



# 33

## Executive Committee

The Committee consists of

Mr. Abdullah bin Suleiman Al-Rajhi	Chairman
Mr. Saud bin Abdullah Al-Rajhi	member
Mr. Waleed bin Abdullah Mogbel	member

The Committee was reformed for the new session, which began on 30/05/2021. The Committee makes recommendations to the Board of Directors on critical issues such as strategic and actions plans related to business processes. The Board authorizes the Executive Committee to perform its functions in some cases. The Executive Committee held six meetings during 2022.

Executive Committee members	20/02/2022	14/04/2022	30/06/2022	11/09/2022	25/10/2022	07/12/2022
Mr. Abdullah bin Sulaiman Al-Rajhi - Chairman of the Board of Directors - Non-executive	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mr. Waleed Al-mogbel - Non-Executive	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Mr. Saud bin Abdullah Al-Rajhi – Vice Chairman of the Board of Directors - Non-executive	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

☒ Present      ☒ didn't Present

### Brief on Members of Audit Committee:



#### Mr. Abdullah bin Sulaiman Al Rajhi

- **Saudi national**
- **Qualifications and experience:**  
holds BA of Business Administration from King Abdulaziz University, Kingdom of Saudi Arabia. He currently holds several positions, including Chairman of the Board of Directors of Al-Rajhi Bank, Chairman of Al-Rajhi Capital, Chairman of the Board of Directors of Farabi Petrochemicals Company, and the Chairman of the Board of Directors of Al-Rajhi Holding Group Company. Prior to that he held several positions in Al-Rajhi Bank, including CEO, Managing Director, and Vice Chairman of the Board of Directors.



#### Mr. Saud bin Abdullah Al Rajhi

- **Executive Committee Member**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Financial Management from the American University in the United Arab Emirates in 2017. He currently holds several positions, including Managing Director of Takatuf Holding Group Company, Chairman of the Board of Directors of IIB Management Company in Singapore, Member of the Board of Directors of Al Fursan Travel Company, the Chairman of Al-Tawfiq for Plastic Industries& Woven Sacks Ltd., the Chairman of the Board of Directors of the Saudi Event Management & Marketing Company, and the Chairman of the Board of Directors of the Kafeef Organization in Riyadh. Prior to that he held several positions, including Director of the Mada Textile Factory Project, and Financial Director for the Industrial Department of Al-Rajhi Holding Group Company.



#### Mr. Waleed bin Abdullah Almogbel

- **Executive Committee Member**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Accounting from King Saud University in the Kingdom of Saudi Arabia, in 1995, a Master Degree in Financial Accounting from the University of Southampton in the United States of America, in 2003, and a Ph.D. Degree in Accounting and Auditing from Cardiff University, in the United Kingdom in 2006. He is currently the CEO of Al Rajhi Bank, and previously held several positions, including Chairman of the Operations Group and Finance Director at Al Rajhi Bank.

# 34

## Investment Committee

The Committee consists of

Mr. Saud bin Abdullah Al Rajhi	Chairman
Mr. Abdurrahman bin Abdullah Al-Fadda	member
Mr. Ali bin Hadi Al-Mansour	member

The Committee was reformed at its new session, which began on 30/05/2021. The Committee makes recommendations to the Board of Directors on investment plans, asset control, and investment policy risk control. The Board authorizes the Investment Committee to perform its functions in some cases. The Investment Committee held six meetings during 2022.

Investment Committee members	21/02/2022	05/04/2022	16/06/2022	13/09/2022	01/10/2022	22/11/2022
Mr. Saud bin Abdullah Al Rajhi – Vice Chairman of the Board of Directors - Non-executive	☒	☑	☑	☑	☑	☑
Mr. Abdurrahman bin Abdullah Al-Fadda - independent member- outside the Board of Directors	☑	☑	☑	☑	☑	☑
Mr. Ali bin Hadi Al-Mansour- Independent Board Member	☑	☑	☑	☑	☑	☑

☑ Present      ☒ didn't Present

### Brief on Members of Audit Committee:



#### Mr. Saud bin Abdullah Al Rajhi

- **Chairman of Investment Committee**
- **Saudi national.**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Financial Management from the American University in the United Arab Emirates in 2017. He currently holds several positions, including Managing Director of Takatuf Holding Group Company, Chairman of the Board of Directors of IIB Management Company in Singapore, Member of the Board of Directors of Al Fursan Travel Company, the Chairman of Al-Tawfiq for Plastic Industries& Woven Sacks Ltd., the Chairman of the Board of Directors of the Saudi Event Management & Marketing Company, and the Chairman of the Board of Directors of the Kafeef Organization in Riyadh. Prior to that he held several positions, including Director of the Mada Textile Factory Project, and Financial Director for the Industrial Department of Al-Rajhi Holding Group Company.



#### Mr. Abdurrahman bin Abdullah Al-Fadda

- **Investment Committee Member**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Electrical Engineering from King Fahd University of Petroleum and Minerals in the Kingdom of Saudi Arabia, 1996. He is currently the CFO at Al Rajhi Bank, and previously held several positions, including Director-General of Treasury and Investment at Saudi Investment Bank, member of the Board of Directors of Amlak International for Real Estate Finance Company, Director of Trading at National Commercial Bank and Director of Trading at Samba Financial Group.



#### Mr. Ali bin Hadi Al-Mansour

- **Investment Committee Member**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Finance from the University of North California in the United States of America in 2002, and a Master's Degree in Business Administration from King Fahd University of Petroleum and Minerals in the Kingdom of Saudi Arabia in 2008. He currently holds the position of Executive Director of AlAwal Invest Company. Prior to that he held several positions including the Chief Executive Officer of Al-Ra'idah Investment Company, the Investment Management Consultant at Jadwa Investment Company and Head of Portfolio Management at Saudi Aramco.

# Nomination and Remuneration Committee

The Committee consists of

Mr. Ali bin Hadi bin Ali Al-Mansour	Chairman
Mr. Muhannad bin Qusay Al-Azzawi	member
Mr. Naif bin Abdullah Al Rajhi	member

The Committee carries out its tasks in accordance with its executive regulations, most importantly

- 1
- recommendation to the Board of Directors to nominate for membership in the board or committees to hold leadership positions in accordance with approved policies and criteria as well as annual review of appropriate skills requirements for Board membership
- 2
- review the structure of the Board of Directors, identify weaknesses and strengths and make recommendations thereon
- 3
- develop clear compensations and remunerations policies for board members and top executives of the company. In addition to raising the annual proposal to the Board of Directors of the Annual Budget for Rewards and Incentives for top executives

The Committee held four meetings during 2022.

Nomination and Remuneration Committee	24/04/2022	29/06/2022	01/09/2022	01/12/2022
Mr. Ali bin Hadi Al-Mansour- board member- independent	☑	☑	☑	☑
Mr. Muhannad bin Qusay Al-Azzawi - independent Board member	☑	☑	☑	☑
Mr. Naif bin Abdullah Al Rajhi – Non-executive Board member	☑	☑	☑	☒

☑ Present      ☒ didn't Present

## Brief on Nomination and Remuneration Committee members:



### Mr. Ali bin Hadi Al-Mansour

- **Chairman of Nomination and Remuneration Committee**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Finance from the University of North California in the United States of America in 2002, and a Master's Degree in Business Administration from King Fahd University of Petroleum and Minerals in the Kingdom of Saudi Arabia in 2008. He currently holds the position of Executive Director of AlAwal Invest Company. Prior to that he held several positions including the Chief Executive Officer of Al-Ra'idah Investment Company, the Investment Management Consultant at Jadwa Investment Company and Head of Portfolio Management at Saudi Aramco.



### Mr. Muhannad bin Qusay Al-Azzawi

- **Nomination and Remuneration Committee Member**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's degree in Engineering from King Saud University in the Kingdom of Saudi Arabia in 1993. He is currently the Chief Executive Officer of the Saudi Industrial Construction and Engineering Projects Company Limited, the Chief Executive Officer of the Saudi Technology and Trade Co. Ltd., and the Chief Executive Officer Brokers Company for Development.



### Mr. Naif bin Abdullah Al Rajhi

- **Nomination and Remuneration Committee Member**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Financial Management from the University of San Francisco, United States of America in 2012. He currently holds several positions, including CEO of Fursan Travel Company, General Manager and Vice-Chairman of the Board of Directors of Digital Trip Ltd Company, Board of Directors member of Takatuf Holding Company, Fursan Travel, Farabi Petrochemicals Company and Saudi Event Management& Marketing Company (SEMARK), and Marami food Industries Company. As well, he is the Vice Chairman of Board of Directors in the Riyadh Chamber & Chairman of the Tourism Committee in the Riyadh Chamber & Chairman of the Tourism committee of the council of Saudi Chamber.



# 36

## Audit Committee

The Committee consists of three members

Mr. Nabil bin Ali Shoaib as Chairman	Chairman
Mr. Fahad Al-Fawaz	member
Mr. Mohammed bin Ali Al-Mubarak	member

The Committee was reformed at its new session which began on 30/05/2021. The Audit Committee plays a major and important role in assisting the Board of Directors in carrying out oversight and governance responsibilities with regard to the integrity of the Company’s financial statements, the effectiveness of the internal control system in light of the risks encountered by the company, and the efficiency, independence and performance of external and internal auditors. In addition, it works to improve and develop control systems and thus protect the rights of shareholders and investors through a number of tasks:

- 1 examining, expressing opinions and submitting recommendations regarding financial statements, accounting policies used and internal control system.
- 2 oversight of internal audit management, examining its reports and verifying its effectiveness and independence
- 3 the recommendation to the Board of Directors to appoint external auditorsexamine their plans, dismiss them and determine their fees.

The Committee held nine meetings in 2022 including the International Financial Reporting Standard (IFRS17) meetings.

Audit Committee members	28/02	27/04	31/05	21/06	08/08	29/09	11/01	30/11	21/12
Mr. Nabil bin Ali Shoaib - Independent member from outside the BOD	☑	☑	☑	☑	☑	☑	☑	☑	☑
Mr. Fahad Al-Fawaz - Independent member from outside the BOD	☑	☑	☒	☑	☑	☑	☑	☑	☑
Mr. Mohammed bin Ali Al-Mubarak - Independent member from outside the BOD	☑	☒	☑	☑	☑	☑	☑	☒	☑

☑ Present      ☒ didn't Present

### Brief on Members of Audit Committee:



#### Mr. Nabil bin Ali Shoaib

- Chairman of the Audit Committee
- Saudi national
- Qualifications and experience: holds a general certification of Education from London in 1980. He is currently a member of the Audit Committee at the National Finance Company. Prior to that, he held several positions, including a member of the board of directors in both SABB Takaful and the Saudi Credit Information Company (SIMAH), and one of his most prominent professional positions was the Managing Director of HSBC Amanah (Islamic Banking), General Manager of Internal Audit at SABB Bank, Chief Operating Officer and Executive Vice President of HSBC Saudi Arabia, and the General Secretary at SABB Bank.



#### Mr. Fahad Al-Fawaz

- Member of the Audit Committee
- Saudi national
- Qualifications and experience:: holds a Master’s degree in Business Administration from the University of Surrey in Britain and a Bachelor of Science in Industrial Management from King Fahd University of Petroleum and Minerals. He is currently the CEO of the National Tourism Company. Previously, he held several positions, including a member of the Executive Committee of Abdulaziz and Saad Al Mojil Trading Company, a member of the Board of Directors and a member of the Audit Committee of the Fiberglass Oasis Company.



#### Mr. Mohamed bin Ali Al-Mubarak

- Member of the Audit Committee
- Saudi national
- Qualifications and experience:: holds a Bachelor’s Degree in Accounting from King Fahd University for Petroleum and Minerals in the Kingdom of Saudi Arabia in 2007. He currently holds the position of Head of Local Assets in Public Investment Fund, and before that, he held several positions, including Director of Audit in Edda Co. & Ernst & Young office and Senior Manager in the Internal Audit Group at Alinma Bank.



# 37

## Risk Management Committee

The committee consisted of

Mr. Ahmed bin Samer Al-Zaeem	Chairman
Mr. Abdulaziz bin Saad Al-Rusais	member
Mr Nabil bin Ali Shoaib	member

The committee was reformed at its new session that began on 30/05/2021. The committee identifies the risks that the company may encounter; it also supervises the risk management system, assesses its effectiveness thereof, and develops a comprehensive risk management strategy. The Risk Management Committee held four meetings during 2022.

Members of Risk Management Committee	16/03/2022	19/06/2022	05/09/2022	05/12/2022
Mr. Ahmed bin Samer Al-Zaeem- Non-executive member of the Board of Directors	☑	☑	☑	☑
Mr. Nabil bin Ali Shoaib - independent member of the Board of Directors	☑	☑	☑	☑
Mr. Abdulaziz bin Saad Al-Rusais- A member from outside the BOD	☑	☑	☑	☑

☑ Present      ☒ didn't Present

### Brief on Risk Management Committee:



#### Mr. Ahmed bin Samer bin Hamdi Al-Zaeem

- **Chairman of Risk Management Committee**
- **Saudi national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Public Administration from the American University in Lebanon in 1987 AD, as well as a Bachelor's Degree in Economics from the State University of New York, in the United States of America in 1992. He currently holds several positions, including the Chairman of the Saudi Company for the Manufacture of Telephone Cables, Vice Chairman of the Board of Directors of Seera Holding Group, a member of the Board of Directors of the Riyadh Cables Group Company, the Chairman of the Board of Directors of the Saudi Modern Company for Metals, Cables, and Plastic. Prior to that he held several positions, including a member of the Industrial Committee in the Chamber of Commerce in Riyadh.



#### Mr. Nabil bin Ali Shoaib

- **Member of Risk Management Committee**
- **Saudi national**
- **Qualifications and experience:**  
holds a general certification of Education from London in 1980. He is currently a member of the Audit Committee at the National Finance Company. Prior to that, he held several positions, including a member of the board of directors in both SABB Takaful and the Saudi Credit Information Company (SIMAH), and one of his most prominent professional positions was the Managing Director of HSBC Amanah (Islamic Banking), General Manager of Internal Audit at SABB Bank, Chief Operating Officer and Executive Vice President of HSBC Saudi Arabia, and the General Secretary at SABB Bank.



#### Mr. Abdulaziz bin Saad Al-Rusais

- **Member of Risk Management Committee**
- **Bahraini national**
- **Qualifications and experience:**  
holds a Bachelor's Degree in Financial Management and Marketing from Portland University, USA in 1999, and a Master's Degree in Business Administration from DePaul University, USA in 2004. He is currently the CRO at Al-Rajhi Bank; previously, he held several positions, including Vice Chairman of Risk Management at Mubadala GA Capital, and Investment Manager at Tharwat Investment Company.

# 38 Sharia Board

Consists of :

Dr. Saleh Mansour Al-Jarbou	Chairman
Dr. Saleh Abdullah Al-Lohaidan	member
Dr. Yousef Abdullah Al-Shebaili	member

The Board supervises the company’s commitment to Sharia provisions in all transactions, and supervision and authentication of developing insurance products adhering to Islamic Sharia, the Board held (8) meetings during 2022:

	Member’s Name	Meeting 152	Meeting 153	Meeting 154	Meeting 155	Meeting 156
		16/05/2022	23/05/2022	12/09/2022	14/09/2022	03/10/2022
1	Dr. Saleh bin Mansour Al-Jarbou	☑	☒	☒	☒	☒
2	Dr. Saleh bin Abdullah Al-Lohaidan	☑	☑	☑	☑	☑
3	Dr. Yousef bin Abdullah Al-Shebaili	☑	☑	☑	☑	☑
Attendance Remuneration for each member		5,000	5,000	5,000	5,000	5,000

	Member	Meeting 157	Meeting 158	Meeting 159
		04/10/2022	11/10/2022	26/10/2022
1	Dr. Saleh bin Mansour Al-Jarbou	☒	☒	☑
2	Dr. Saleh bin Abdullah Al-Lohaidan	☑	☑	☑
3	Dr. Yousef bin Abdullah Al-Shebaili	☑	☑	☑
Attendance Remuneration for each member		5,000	5,000	5,000

☑ Present      ☒ didn’t Present

Brief on Sharia Board members:

## Dr. Saleh bin Mansour Al-Jarbou:

- **Chairman of the Sharia Board**
- **Saudi national**
- **Qualifications and experience:**  
holds a PhD Degree in Comparative Jurisprudence from Imam Muhammad bin Saud Islamic University in 2006, and a Master’s Degree in Law from the American University in Washington DC in 1994, and is currently presiding the Sharia Board of Al-Rajhi Financial Services Company. A licensed lawyer from 2007 to date, and he previously held several positions, including Director of the Legal Affairs and Compliance Control Department of Al-Rajhi Banking and Investment Corporation.



## Dr. Saleh bin Abdullah Al-Lohaidan

- **A member of the Sharia Board**
- **Saudi national**
- **Qualifications and experience:**  
holds a PhD Degree in Islamic Jurisprudence from the Higher Judicial Institute in Riyadh in 1994. Currently, he is working as a contracted professor at the Imam Muhammad bin Saud Islamic University and the General Director of the Sharia Group at Al-Rajhi Bank, and a member and a secretary of the Sharia Board at Al-Rajhi Bank. He also held the position of a member of the Scientific Council at Imam Muhammad bin Saud Islamic University, and participated in a number of scientific committees inside and outside the university.



## Dr. Yousef bin Abdullah Al- Shebaili

- **A member of the Sharia Board**
- **Saudi national**
- **Qualifications and experience:**  
holds a PhD Degree from the Higher Judicial Institute at Imam Muhammad bin Saud Islamic University in 2001. Currently, he works as a professor at Imam Muhammad bin Saud Islamic University, and many memberships in Sharia bodies in financial and economic institutions inside and outside the Kingdom. Previously, he held the position of Deputy for the Comparative Jurisprudence Department at the Higher Judicial Institute in 1998.

	Members of Sharia Board	Annual Remunerations	Meetings attendance Remuneration	Total
1	Dr. Saleh bin Mansour Al-Jarbou	SR 60,000	SR 30,000	SR 90,000
2	Dr. Saleh bin Abdullah Al-Lohaidan	SR 60,000	SR 30,000	SR 90,000
3	Dr. Yousef bin Abdullah Al-Shebaili	SR 60,000	SR 30,000	SR 90,000
Total		SR 270,000		

## 39

## Details of Remuneration and Compensation for Board of Directors and Committees Members and Five Top Executives

### 1 Remunerations and compensation for members of the Board of Directors for the current session started 30/05/2021:

In accordance with the remuneration policy for members of the Board of Directors and the sub-committees, the Chairman and members of the board of directors of the company receive an annual remuneration of SAR 200,000, and they receive an attendance remuneration of 3,000 SAR for each Board meetings.

### 2 Based on the remuneration policy for members of the committees stemming from the Board of Directors:

- A member of the Audit Committee receives an annual remuneration of 100,000 SAR in consideration of his membership in the committee.
- A member of all other sub-committees receives an annual remuneration of 80,000 SAR in consideration of his membership in the committee.
- A member of all committees receives 1,500 SAR for each meeting for the sub-committees of the Board of Directors attended.

### 3 Mechanisms for determining and paying remunerations and compensations:

- Remuneration and compensations due to members of the board of directors and members from outside the board are calculated on an annual basis, approved by the Board and ratified by the General Assembly.
- Attendance allowance is paid annually based on attendance records of Board and Committees Meetings.

### 4 Remunerations and compensations for top executives: The remuneration is calculated based on the annual appraisal and company's outcomes based upon the targets set at the beginning of the Gregorian year.

The following is a statement showing salaries, compensations, allowances and annual remunerations received by members of Board of Directors, the Committees, and five senior executives of the company, who received the highest remunerations and compensations including the CEO, and Chief Financial Officer, for the period from 01/01/2022 to 31/12/2022:

	Description	Members of Board of Directors and Committees	Top 5 Senior Executives including CEO and Chief Financial Officer
1	Salaries and Compensations	0	4,473,420
2	Allowances	213,000	1,237,656
3	Periodic and annual remunerations	2,333,000	1,058,640
<b>Total</b>		<b>2,546,000</b>	<b>6,769,716</b>

Remunerations of members of the Board of Directors from  
01/01/2022 to 29/05/2022 (Current Session) to 29/05/2021  
(Current Session)

Fixed remuneration		Independent members				Non- Executive Members					
		Mr. Nabil bin Ali Shoaib	Mr. Muhanad bin Qusay Al-Azzawi	Mr. Ali bin Hadi Al-Mansour	Total	Mr. Abdullah bin Sulaiman Al-Rajhi	Mr. Ahmed bin Samer Al-Zaeem	Mr. Waleed bin Abdullah Almog-bel	Mr. Saud bin Abdullah Al-Rajhi	Mr. Naif bin Abdullah Al-Rajhi	Total
	Annual Remuneration	200,000	200,000	200,000	600,000	200,000	200,000	200,000	200,000	200,000	1,000,000
	Allowance for attending Board meetings	12,000	12,000	12,000	36,000	12,000	12,000	12,000	12,000	9000	57,000
	Non-monetary advantages	0	0	0	0	0	0	0	0	0	0
	A statement of what the members of the Board received as employees or administrators, or what they received in consideration of their technical, administrative, or consultancy work	0	0	0	0	0	0	0	0	0	0
	Remuneration for the Chairman of the Board, the Managing Director or the Secretary if he is a member	0	0	0	0	0	0	0	0	0	0
	Total	212,000	212,000	212,000	636,000	212,000	212,000	212,000	212,000	209,000	1,057,000

Variable remuneration																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					</
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Independent members			Non- Executive Members					
Mr. Muhannad bin Qusay Al-Azzawi	Mr. Ali bin Hadi Al-Mansour	Total	Mr. Abdullah bin Sulaiman Al-Rajhi	Mr. Ahmed bin Samer Al-Zaeem	Mr. Waleed Bin Abdullah Almog-bel	Mr. Saud bin Abdullah Al-Rajhi	Mr. Naif bin Abdullah Al-Rajhi	Total
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0



Remunerations of Committees’ Members

Executive Committee			
Committees’ Members	Fixed remuneration (excluding sessions attendance allowance)	Sessions attendance allowance	Total
Mr. Abdullah bin Sulaiman Al-Rajhi	0	9,000	9,000
Mr. Waleed bin Abdullah Al-Mogbel	0	9,000	9,000
Mr. Saud bin Abdullah Al-Rajhi	0	9,000	9,000
Total	0	27,000	27,000

Investment Committee			
Committees’ Members	Fixed remuneration (excluding sessions attendance allowance)	Sessions attendance allowance	Total
Mr. Saud bin Abdullah Al-Rajhi	0	7,500	7,500
Mr. Ali bin Hadi Al-Mansour	0	9,000	9,000
Mr. Abdulrahman bin Abdullah Al-Fada	80,000	9,000	89,000
Total	80,000	25,500	105,500

Nomination & Remuneration Committee			
Committees’ Members	Fixed remuneration (excluding sessions attendance allowance)	Sessions attendance allowance	Total
Mr. Ali bin Hadi Al-Mansour	0	6,000	6,000
Mr. Muhannad bin Qusay Al-Azzawi	0	6,000	6,000
Mr. Naif bin Abdullah Al-Rajhi	0	4,500	4,500
Total	0	16,500	16,500

Audit Committee			
Committees’ Members	Fixed remuneration (excluding sessions attendance allowance)	Sessions attendance allowance	Total
Mr. Nabil bin Ali Shoaib	100,000	13,500	113,500
Mr. Fahad Al Fawaz	100,000	12,000	112,000
Mr. Mohammad bin Ali Al-Mubarak	100,000	10,500	110,500
Total	300,000	36,000	336,000

Risk Committee			
Committees’ Members	Fixed remuneration (excluding sessions attendance allowance)	Sessions attendance allowance	Total
Mr. Ahmed bin Samer Al-Zaeem	0	6,000	6,000
Mr. Nabil bin Ali Shoaib	0	6,000	6,000
Mr. Abdulaziz bin Saad Al-Rusais	80,000	6,000	86,000
Total	80,000	18,000	98,000

## 40

## Waiver of interests by shareholders, board members, or senior executives

- 1 There are no arrangements or agreements regarding any member of the Board of Directors or the senior executives to waive any salaries, remunerations or compensations.
- 2 There are no arrangements or agreements regarding any of the shareholders' waiver of their rights in profits.

## 41

## Evaluation of the performance of the Board of Directors' members and its committees

The Board of Directors is keen to involve all its members in the tasks, responsibilities and sub-committees, and the Board is keen to review its decisions and recommendations. In addition to the recommendations of the committees stemming from it periodically to ensure their results and their implications on the performance of the Board and the committees stemming from it and the general performance of the company.

## 42

## Results of the annual review of the effectiveness of the company's internal control procedures

The internal control system has been prepared on firm and sound foundations and its effectiveness is strengthened through the following:

effectiveness is strengthened through the following

- There are specialized departments in the field of auditing and compliance monitoring.
- There is a Board Audit Committee in line with the governance regulation, which contributes to strengthening the independence of internal and external auditors, and reports are submitted to it about the units and activities that are audited on a quarterly basis, in order to provide a continuous evaluation of the internal control system and its effectiveness.
- The adequacy and effectiveness of the internal control system is reviewed by the Internal Audit Department according to an annual plan approved by the Audit Committee. Some aspects of internal control are reviewed by the external auditors, and periodic reports are submitted to the Audit Committee according to its predetermined meeting dates, which in turn submits reports including its observations and correction procedures to the Board of Directors to discuss and approve the necessary recommendations. The Internal Audit Committee also reflects the effectiveness of the company's internal control procedures, and it has not made any substantive observations about them.
- The results of reviewing the internal control system and the adequacy and effectiveness of some control procedures are being considered very seriously, where any remarks should be followed up, corrected, and controls put in place to ensure that they are not repeated.
- Accordingly, and based on the results of the internal control system evaluation work, Al Rajhi Takaful has an adequate internal control system that works appropriately and is monitored and strengthened on an ongoing basis, bearing in mind that any internal control system, regardless of the level of its design and effectiveness, cannot provide absolute assurances.



## 43

### The Audit Committee's opinion on the adequacy of the company's internal control procedures

The executive management of the company is responsible for ensuring the existence of an effective system of internal control, which includes the obligation to implement the policies, procedures and processes set by the executive management, under the supervision of the Company's Board of Directors, to ensure the achievement of its strategic objectives and the protection of its assets. Based on the periodic reports that were presented to the Audit Committee during the fiscal year ended on December 31, 2022 AD by the Internal Audit Department, the Compliance Department, and the external auditors, the Audit Committee did not find any fundamental gaps in the Company's control system, which might negatively and substantially affect the integrity and the fairness of the financial statements or the integrity and effectiveness of the efficiency of the financial and operational systems, controls and procedures. While taking into account that any internal control system, regardless of its level of complexity and effectiveness, cannot provide absolute guarantees.

## 44

### External Auditors

The General Assembly held on 05/23/2022, approved the proposal of the Board of Directors, based on the recommendation of the Audit Committee, to appoint Al-Azm, Al-Sudairy, Al-Sheikh and Partners (Crowe) and Al-Ayuti and Partners as certified accountants and auditors to play a joint role as auditors for the company's accounts for the fiscal year 2022.





# Conclusion

The Company's Board of Directors is pleased to extend its thanks and appreciation to the Saudi Central Bank, the Financial Market Authority and the General Secretariat of the Cooperative Health Insurance Council, for their continuous support and directives in support of the business and activities of the insurance sector in general. The Company's Board of Directors is pleased to extend its thanks and appreciation to the shareholders for their trust in the company, its officials and employees for their constant efforts.

Allah is the guarantor of success.





[www.alrajhitakaful.com](http://www.alrajhitakaful.com)

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS  
TOGETHER WITH THE  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

**To the Shareholders Of**

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE**

**(A Saudi Joint Stock Company)**

### **Opinion**

We have audited the financial statements of **Al Rajhi Company for Cooperative Insurance** (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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").

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our 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 judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2022. 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. The key audit matters include:



## Independent Auditors' Report (Continued)

### Key Audit Matters (Continued)

Valuation of claim liabilities arising from insurance contracts	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the gross outstanding claims including claims incurred but not reported (IBNR) and contribution deficiency reserves amounted to SR 1,472 million (2021: SR 1,417 million) as reported in Note 11 of the financial statements.</p> <p>The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claim handling costs.</p> <p>The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates.</p> <p><i>Refer to notes 2 &amp; 4 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.</i></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 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, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.</li> <li>• Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following: <ul style="list-style-type: none"> <li>i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences;</li> <li>ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed 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 sensitivities to the key assumptions.</li> </ul> </li> <li>• Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</li> </ul>

## **Independent Auditors' Report (Continued)**

### **Other information**

Management is responsible for the other information. Other information comprises the information included in the Company's 2022 annual report, but does not include 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 do not and will not express any form of assurance or 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 Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and the Company's by-laws, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, 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 International Standards on Auditing (ISAs), 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 ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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;



**Crowe**

Al Azem, Al Sudairy, Al Shaikh & Partners  
For Professional Consulting  
Member Crowe Global



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

## Independent Auditors' Report (Continued)

### Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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 management;
- Conclude on the appropriateness of the managements' 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 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 year and are therefore the key audit matters. We describe these matters in our auditors' report 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 because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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License No. 345

09 March 2023

17 Shaban 1444H





AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF FINANCIAL POSITION**

As at December 31,

As at December 31,

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	5	618,495	498,996
Contributions and re-takaful / reinsurance balances receivable, net	6	683,950	414,546
Re-takaful / reinsurance share of unearned contributions	11.2	320,424	227,284
Re-takaful / reinsurance share of outstanding claims	11.1 (a)	186,097	207,122
Re-takaful / reinsurance share of claims incurred but not reported	11.1 (a)	93,146	60,387
Re-takaful / reinsurance share of mathematical reserve at fair value through statement of income (FVSI)		45	31
Deferred policy acquisition costs	11.3	164,633	109,940
Investments mandatorily measured at fair value through statement of income (FVSI)	10 (a)	467,754	526,904
Investments designated as fair value through other comprehensive income (FVOCI)	10 (b)	429,926	435,284
Investments held at amortised cost	10 (c)	2,197,736	1,889,566
Prepayments and other assets	13	89,555	88,712
Property and equipment, net	8	81,041	83,216
Statutory deposit	9	39,971	39,971
Accrued income on statutory deposit		5,026	3,626
Right-of-use assets	7	48,371	55,733
<b>TOTAL ASSETS</b>		<b>5,426,170</b>	<b>4,641,318</b>
LIABILITIES			
Payables, accruals and other liabilities	14	277,606	180,208
Re-takaful / reinsurance balances payable		311,837	179,530
Unearned contributions	11.2	1,603,783	1,168,466
Unearned re-takaful / reinsurance commission income	11.4	28,780	20,457
Gross outstanding claims	11.1 (a)	125,150	471,282
Claims incurred but not reported	11.1 (a)	1,294,170	881,625
Contribution deficiency reserve	11.1 (a)	52,587	64,301
Unit linked liabilities at FVSI	11.1 (a), 22	275,118	217,611
End-of-service benefits (EOSB)	16	22,812	24,635
Provision for zakat	21	49,925	51,341
Payables to SAMA		9,735	8,336
Lease obligations	15	49,222	54,482
		4,100,725	3,322,274
Takaful operations' surplus payable	26	37,318	48,628
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>4,138,043</b>	<b>3,370,902</b>
EQUITY			
Share capital	23	400,000	400,000
Statutory reserve		196,109	178,186
Retained earnings		667,246	595,551
Remeasurement reserve for EOSB	16	(5,423)	(7,327)
Fair value reserve - investments designated as FVOCI		30,195	104,006
<b>TOTAL EQUITY</b>		<b>1,288,127</b>	<b>1,270,416</b>
<b>TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY</b>		<b>5,426,170</b>	<b>4,641,318</b>
COMMITMENTS AND CONTINGENCIES	12	61,318	40,190

Nabeel Ali Shoaib  
Member-Board

Mahmood Salim Dahduli  
Chief Executive Officer

Muhammad Imran Bashir  
Chief Financial Officer - Acting

The accompanying notes 1 to 30 form an integral part of these financial statements

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31

		SAR '000	
	Notes	2022	2021
<b>REVENUES</b>			
Gross contribution written	11.2	3,470,070	2,759,590
Re-takaful / reinsurance contributions ceded - domestic	11.2	(2,996)	(11,610)
Re-takaful / reinsurance contributions ceded - foreign	11.2	(668,064)	(529,546)
Excess of loss expenses (XOL)	11.2	(13,003)	(10,707)
Net contributions written	11.2	2,786,007	2,207,727
Changes in unearned contributions, net		(342,178)	53,312
Net contributions earned		2,443,829	2,261,039
Re-takaful / reinsurance commission income	11.4	39,515	35,924
Other underwriting income		6,334	6,390
<b>TOTAL REVENUES</b>		<b>2,489,678</b>	<b>2,303,353</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid and loss adjustment expenses		(1,864,802)	(1,785,465)
Surrenders and maturities		(45,173)	(28,810)
Expenses incurred related to claims		(36,783)	(27,584)
Re-takaful / reinsurance share of claims paid		171,166	126,054
Net claims and other benefits paid		(1,775,592)	(1,715,805)
Changes in outstanding claims, net		325,107	(41,100)
Changes in incurred but not reported (IBNR) claims, net		(379,786)	24,099
Change in contribution deficiency reserve		11,714	10,651
Net claims and other benefits incurred		(1,818,557)	(1,722,155)
Change in unit linked liabilities at FVSI, net		(68,173)	(50,852)
Policy acquisition costs	11.3	(341,884)	(191,027)
Other underwriting expenses, net		(17,306)	(12,809)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>(2,245,920)</b>	<b>(1,976,843)</b>
<b>NET UNDERWRITING INCOME</b>		<b>243,758</b>	<b>326,510</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>			
Reversal of allowance for doubtful debts - contributions and re-takaful / reinsurance balances receivable	6	20,846	5,748
General and administrative expenses	18	(259,641)	(289,905)
Special commission income		60,711	51,033
Net gains on investments mandatorily measured at FVSI		16,570	17,568
Dividend income		13,029	13,509
Reversal / impairment loss on financial assets	10.e	(242)	10
Other income		12,726	1,028
<b>TOTAL OTHER OPERATING EXPENSES</b>		<b>(136,001)</b>	<b>(201,009)</b>
Net income for the year before zakat		107,757	125,501
Net income for the year attributable to takaful operations	26	(7,889)	(10,118)
Net income for the year before zakat attributable to the shareholders		99,868	115,383
Provision for zakat	21	(10,250)	(16,912)
Net income for the year after zakat attributable to the shareholders		89,618	98,471
<b>Earnings per share (EPS)</b>			
Basic and diluted EPS	25	2.24	2.46



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Chief Executive Officer



Muhammad Imran Bashir  
Chief Financial Officer - Acting

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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31**

	<b>SAR '000</b>	
Notes	<b>2022</b>	2021
Net income for the year after zakat attributable to the shareholders	89,618	98,471
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to statement of income in subsequent years</b>		
- Net fair value changes on investments designated as FVOCI	10 (b) (73,811)	59,139
- Remeasurement of EOSB	16.2 1,904	425
<b>Total comprehensive income for the year</b>	<b>17,711</b>	<b>158,035</b>



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Chief Executive Officer



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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31  
(SAR in '000')

	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - investments designated as FVOCI	Total
Balance as at January 1, 2022		400,000	178,186	595,551	(7,327)	104,006	1,270,416
Total comprehensive income attributable to the shareholders :							
- Net income for the year after zakat attributable to the shareholders		-	-	89,618	-	-	89,618
- Net fair value changes on investments designated as FVOCI		-	-	-	-	(73,811)	(73,811)
- Remeasurement of EOSB		-	-	-	1,904	-	1,904
		-	-	89,618	1,904	(73,811)	17,711
Transfer to statutory reserve		-	17,923	(17,923)	-	-	-
Balance as at December 31, 2022		400,000	196,109	667,246	(5,423)	30,195	1,288,127

	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - investments designated as FVOCI	Total
Balance as at January 1, 2021	400,000	158,491	516,775	(7,752)	44,867	1,112,381
Total comprehensive income attributable to the shareholders :						
- Net income for the year after zakat attributable to the shareholders	-	-	98,471	-	-	98,471
- Net fair value changes on investments designated as FVOCI	-	-	-	-	59,139	59,139
- Remeasurement of EOSB	-	-	-	425	-	425
	-	-	98,471	425	59,139	158,035
Transfer to statutory reserve	-	19,695	(19,695)	-	-	-
Balance as at December 31, 2021	400,000	178,186	595,551	(7,327)	104,006	1,270,416



Nabeel Ali Shoaib  
Member-Board



Mahmood Salim Dahduli  
Chief Executive Officer



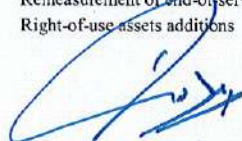
Muhammad Imran Bashir  
Chief Financial Officer- Acting

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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS**  
**For the year ended December 31**

		SAR '000	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before zakat		107,757	125,501
<b>Adjustments for non-cash items:</b>			
Depreciation of property and equipment, net	8	23,906	13,959
Depreciation of right-of-use assets	7	7,362	9,410
Write-off of assets, net		7,146	35,679
Reversal of doubtful debts-contributions and re-takaful / reinsurance balances receivable	6	(26,349)	(60,467)
Unrealized gain on investments mandatorily measured at FVSI	10 (a)	(15,854)	(26,924)
Impairment / reversal of impairment loss		278	(10)
Finance cost	15	6,742	2,589
Provision for end-of-service benefits (EOSB)	16	4,673	4,853
		<u>115,661</u>	<u>104,590</u>
<b>Changes in operating assets and liabilities:</b>			
Contributions and re-takaful / reinsurance balances receivable		(243,055)	210,109
Re-takaful / reinsurance share of unearned contributions		(93,140)	(16,861)
Re-takaful / reinsurance share of outstanding claims		21,025	(121,653)
Re-takaful / reinsurance share of claims incurred but not reported		(32,759)	(33,430)
Re-takaful / reinsurance share of mathematical reserve at FVSI		(14)	(8)
Deferred policy acquisition costs		(54,693)	(22,349)
Prepayments and other assets		(843)	5,071
Accrued income on statutory deposit		(1,400)	(1,399)
Payable, accruals and other liabilities		97,398	(99,994)
Unit linked liabilities at FVSI		57,507	76,518
Re-takaful / reinsurance balances payable		132,307	2,088
Unearned contributions		435,317	(36,451)
Unearned re-takaful / reinsurance commission		8,323	5,555
Gross outstanding claims		(346,132)	162,753
Claims incurred but not reported		412,545	9,331
Contribution deficiency reserve		(11,714)	(10,651)
Deposit against guarantees		(21,128)	(19,117)
Payables to SAMA		<u>1,399</u>	<u>1,399</u>
		<u>476,604</u>	<u>215,501</u>
Zakat paid	21	(11,666)	(20,721)
Takaful operations' surplus paid	26	(19,199)	(9,806)
End-of-service benefits paid (EOSB)	16.2	(4,592)	(7,473)
<b>Net cash generated from operating activities</b>		<u>441,147</u>	<u>177,501</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments mandatorily measured at FVSI	10 (a)	(2,165,811)	(2,353,170)
Disposals of investments mandatorily measured at FVSI	10 (a)	2,240,815	2,386,909
Purchase of investments designated as FVOCI	10 (b)	(68,453)	(65,023)
Disposals of investments designated as FVOCI	10 (b)	-	15,326
Purchase of investments held at amortised cost	10 (c)	(2,391,249)	(831,987)
Disposal of investments held at amortised cost	10 (c)	2,082,927	321,300
Additions in property and equipment	8	(28,877)	(32,556)
<b>Net cash used in investing activities</b>		<u>(330,648)</u>	<u>(559,201)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability paid	15	(12,002)	(12,315)
<b>Net cash used in financing activities</b>		<u>(12,002)</u>	<u>(12,315)</u>
Net change in cash and cash equivalents		98,497	(394,015)
Cash and cash equivalents, at the beginning of the year	5	454,097	848,112
<b>Cash and cash equivalents, at the end of the year</b>	5	<u>552,594</u>	<u>454,097</u>
<b>NON-CASH INFORMATION</b>			
Changes in fair value of investments designated as FVOCI		(73,811)	59,139
Remeasurement of end-of-service benefits (EOSB)		(1,904)	(425)
Right-of-use assets additions		4,103	21,976



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Member-Board



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Chief Executive Officer



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Chief Financial Officer- Acting

The accompanying notes 1 to 30 form an integral part of these financial statements

# AL RAJHI COMPANY FOR COOPERATIVE INSURANCE

## (A SAUDI JOINT STOCK COMPANY)

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### Notes to the financial statements

For the year ended December 31, 2022

#### 1. GENERAL

Al Rajhi Company for Cooperative Insurance (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. (M/35) dated Jumada al thani 27, 1429. (January 1, 2008). The Company operates under Commercial Registration no. 1010270371 dated Rajab 5, 1430, corresponding to June 28, 2009. The registered address of the Company's head office is as follows:

Al Rajhi Company for Cooperative Insurance  
P.O. Box 67791  
Riyadh 11517  
Kingdom of Saudi Arabia.

The purpose of the Company is to conduct takaful operations and all related activities including re-takaful / re-insurance and agency activities. Its principal lines of business include motor, medical, protection & savings, marine, fire, engineering and casualty insurance.

On July 31, 2003, corresponding to Jumada al thani 2, 1424, 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 April 20, 2004, corresponding to Rabi' al-awwal 1, 1425, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32).

As a commitment from the Company for its activities to be in compliance with Islamic Shari’a legislations, since its inception, the Company has established a Shari’a Authority to review and approve the activities and the products of the Company.

#### Statement of compliance

The financial statement of the Company as at and for the year ended 31 December 2022, has been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).”

#### 2. BASIS OF PREPARATION

##### a) Basis of presentation and measurement

The financial statements are prepared under the going concern basis and the historical cost convention, except for investments measured at fair value through statement of income (FVSI), investments designated as fair value through other comprehensive income (FVOCI), unit linked liabilities measured at FVSI and employees' end of service benefits (EOSB) carried at present value using Projected Unit Credit Method. The Company's statement of financial position is not presented using a current / non-current classification. The following balances would generally be classified as non-current: financial assets at fair value through other comprehensive income, financial assets at amortised cost, property and equipment, right of use assets, statutory deposit, other assets, end of service benefits and payable to shareholders. All other assets and liabilities are classified as current.

As required by the Saudi Arabian Insurance Regulations and guidelines of the sharia board, the Company maintains separate books of accounts for takaful operations and shareholders' operations and presents the financial information accordingly (refer note 27). 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.



**2. BASIS OF PREPARATION (continued)**

**a) Basis of presentation and measurement (continued)**

As per the Company's policy, all general and administrative expenses of takaful operations are charged to shareholders' operations. The Company operates in accordance with the Islamic Shariah provisions manages the co-operative insurance operations and calculates the management fee (refer note 4.19) and pays it in full shortly after the end of the fiscal year.

The statement of financial position, statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in note 27 of the financial statement have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the takaful operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the takaful operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

In preparing the Company-level financial information in compliance with IFRSs, the balances and transactions of the takaful operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the takaful operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

**b) Fiscal year**

The Company follows a fiscal year ending December 31.

**c) 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 may differ from these 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 were critical in preparation of these financial statements:

**2. BASIS OF PREPARATION (continued)****c) Critical accounting judgments, estimates and assumptions (continued)***i) The ultimate liability arising from claims made under insurance contracts*

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

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

*ii. Measurement of expected credit loss allowance on financial assets accounted for under IFRS 9*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, other than contributions and re-takaful balances receivable, is an area that requires the use of complex models and significant assumptions about future economic conditions.

Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss (ECL) is further detailed in note 28.1.1, which also sets out key sensitivities of the ECL to changes in these elements.

Number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- a. Determining criteria for significant increase in credit risk;
- b. Choosing appropriate models and assumptions for the measurement of ECL;
- c. Establishing groups of similar financial assets for the purposes of measuring ECL.

*iii) Impairment of contributions and re-takaful balances receivable accounted for under IAS-39*

Insurance contracts are accounted for under IFRS-4 and excluded from the scope of IFRS-9. Therefore, these continue to be accounted for under IAS-39. A provision for impairment of contribution and re-takaful balances receivable 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.

*iv) Fair value of financial instruments*

Fair values of investments designated as FVOCI 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 such securities not quoted in an active market may be determined by the Company using latest available audited net assets value of the investee. The Company would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the market practice. As of December 31, 2022, the Company has unlisted equity investments of SAR 7.54 million (December 31, 2021 SAR 7.54 million).



**2. BASIS OF PREPARATION (continued)****d) Seasonality of operations**

There are no seasonal changes that may affect Takaful operations of the Company.

**e) Functional and presentation currency**

The functional and presentational currency of the Company is Saudi Riyals. The financial information values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

**3. STANDARDS AND AMENDMENTS ISSUED**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2021.

**Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted.

The Company will apply IFRS 17 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a material impact on the Company's financial statements in the period of initial application.

**IFRS 17 – Insurance contracts**

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

**1) Structure and status of the Implementation project**

The timelines below illustrates the company's IFR 17 project plan through different phases of implementation

S#	Activities	SAMA implementation phases	2019	2020	2021	2022
1	Operating impact assessment	Phase 1				
2	Financial impact assessment	Phase 2				
3	Design	Phase 3				
4	Implementation	Phase 3				
5	Dry runs	Phase 4				
6	Go Live	Phase 4				
7	Training & Governance	All phases				
8	Appointed Actuary	All phases				
9	Audit and Assurance	Phase 4				

The IFRS 17 project for the company commenced in December 2018 when the SAMA Phase 1 requirements were released. This provided and initial push for the project however, the current status of the project has been driven by the company's Steering Committee with the support of the appointed consultants. The above timelines illustrate the overall IFRS 17 timelines. Our work on implementing IFRS 17 is in line with SAMA's expectation and guidance and this implementation plan reflects all aspects laid out by SAMA. The company, having large volumes of business and catering to all lines of business, have had dig much deeper to draw up a future proof plan in order to achieve a successful and a fit-for-purpose outcome.

**3. STANDARDS AND AMENDMENTS ISSUED (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance contracts (continued)**

1) Structure and status of the Implementation project (continued)

The decision to opt for an IFRS 17 solution is aligned with our existing financial reporting platform. This provides alignment and integration to our Finance ERP. In addition to the systems providing compatibility, the use of a common implementation partner reduces the burden of multiple system integration.

The company has submitted Implementation plan to SAMA, and unaudited dry run results to SAMA using 2020, 2021 and six months period ended 30th June 2022. The audit of 2nd and 3rd dry runs using 31 December 2021 and 30th June 2022 data respectively have been concluded with SAMA.

In order to ensure robust governance on the project, the company had decided to hire a leading consultancy firm in the role of Project Management Consultant (PMC) and hired a consultant during 2020 for Phase 2 "Financial Impact Analysis" only. Later on the Company appointed the consultant for the phase 3 and phase 4. Following this the management establish an IFRS 17 steering committee in December 2019 led by the CFO as the project sponsor and a mixture of actuarial, accounting and system personnel from both within the company and the PMC. The mandate set for the steering committee includes accountability for sufficient and appropriate governance over key judgment and design decisions.

Ownership and responsibilities for methodologies and process decisions decide with the CFO, Appointed Actuary and others (as detailed in the Responsibility Matrix below). The IFRS 17 steering committee reviews and overseas technical papers (new accounting policy papers) which support design decisions and changes.

Project progress is monitored throughout all the phases of the IFRS 17 project and corrective actions are implemented when required. Future changes to the implementation plan will be overseen by the IFRS 17 steering committee, which meets on a regular basis to ensure an effective transitioning process.

The governance framework has been divided into following sections for different phases including transition and Go live.

- Project planning and management
- Business processes, systems and data
- Financial reporting and controls
- Accounting policies, judgements and estimates
- Resources and training
- Business impact
- Stakeholder communication
- Disclosures
- Change management

**3. STANDARDS AND AMENDMENTS ISSUED (continued)****Standards issued but not yet effective (continued)****IFRS 17 – Insurance contracts (continued)**

## 1) Structure and status of the Implementation project (continued)

The Project team structure for IFRS 17 implementation is given below in descending order.

Board of Directors (BOD)

Audit Committee

Steering Committee (SteerCo)

Appointed actuary

Company's project lead (CFO)

Consultant technical team

Consultant project team

Company's project team

Following will be roles of each project team member for IFRS 17 implementation

<b>Team</b>	<b>Roles</b>
BOD	BOD's objective is to monitor IFRS 17 project status, costs/budgets involved and overall timely completion of IFRS 17 project
Audit Committee	Audit Committee's key role is to review and assess the accounting policy choices and technical accounting policy decisions with a view to assess the suitability for IFRS 17 financial statements and provide Board of Directors a view regarding policies and methodologies for IFRS 17
Steering Committee (SteerCo)	SteerCo performs detailed reviews of technical accounting and actuarial papers and presents the key findings to the audit committee. The company manages and tracks the implementation of IFRS 17 project through a steering committee created for this purpose.
Company's project sponsor (CFO)	The company's project lead is the key contact for the day to day execution of the project, liaises with external consultants, SAMA and auditors. Project lead is also responsible to provide first level technical input on accounting policies and methodologies.
Appointed actuary	Appointed Actuary (AA) - AA is the owner of the IFRS 17 actuarial methodologies and actuarial aspects of IFRS 17 solution.
Consultant technical team	The consultant's team coverage areas of Accounting, Actuarial and IT are part of Company's IFRS 17 team
Consultant project team	The consultant has dedicated a team of professionals for implementation of IFRS 17 for the company
Company's project team	The company has dedicated personnel from finance, actuarial, underwriting, IT and reinsurance departments for implementation of IFRS 17

The responsibility matrix was used as a key point of reference to govern the structure to be followed for the various roles across each of the key areas. The following table summarizes the approach used in assigning these roles.

# AL RAJHI COMPANY FOR COOPERATIVE INSURANCE

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements (continued)

### 3. STANDARDS AND AMENDMENTS ISSUED (continued)

#### Standards issued but not yet effective (continued)

#### IFRS 17 – Insurance contracts (continued)

##### 1) Structure and status of the Implementation project (continued)

Area	Ownership	Contributors	Reviewers	Approval
IFRS 17 Accounting Policies *	Chief Financial Officer	Finance Function Actuarial Function Underwriting Teams External Consultant	Company IFRS 17 Steering Committee	Audit Committee
IFRS 17 Valuation Methodologies	Appointed Actuary / Internal Actuary	Finance Function Actuarial Function External Consultant		
Financial Statements	Chief Financial Officer	Finance Function External Consultant		
Data *	Chief Financial Officer / Chief Underwriting Officer	Finance Function Actuarial Function Underwriting Teams External Consultant		
Staff	Head of Human Resources	Finance Function Actuarial Function External Consultant		
Systems*	Chief Financial Officer / Project Managers	Finance Function Departmental teams External Consultant		

\* Internal Audit has conducted the review on governance of the above activities.

Few areas are still under progress and will be completed within the time frame and will not impact the issuance of Q1 2023 financial statements under IFRS 17.

##### 2) Significant Judgements and Accounting Policy Choices

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

##### a) Contracts within/outside the scope of IFRS 17

When identifying contracts in the scope of IFRS 17, in some cases the company have assessed whether a set of or series of contracts need to be treated as a single contract and whether the embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard for insurance and reinsurance contracts, the company does not expect significant changes arising from the application of these requirements. Therefore all insurance contracts issued and reinsurance contracts held are within the scope of IFRS 17 except for the self-insurance contracts. Further, the company doesn't have embedded derivatives in insurance contracts written and / or reinsurance contracts held.

##### b) Combination/Unbundling of Contracts

The Company does not issue any insurance contracts and held reinsurance contracts which qualify contract combination / unbundling.

**3. STANDARDS AND AMENDMENTS ISSUED (continued)****Standards issued but not yet effective (continued)****IFRS 17 – Insurance contracts (continued)****2) Significant Judgements and Accounting Policy Choices (continued)****c) Level of Aggregation**

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Group of contracts are determined by first identifying portfolios of contracts, each comprising groups of contracts with similar risks which are managed together. Contracts in different product lines or issued by different group entities are expected to be in different portfolios. Each portfolios are further divided based on expected profitability at inception into three categories.

- Group of contracts that are onerous on initial recognition
- Group of contracts that, on initial recognition have no significant possibility of becoming onerous, and
- Group of remaining contracts

This mean that, for determining the level of aggregation the Company identifies a contract as the smallest unit i.e. the lowest common denominator. However, the company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e. legal or management). Further, no group for level of aggregation purposes contains contracts issued more one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constraints its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain or initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract. Below are the considerations used to determine level of aggregation for the company.

S#	Segments / Lines of business	Level of aggregation - Insurance contracts issued	Level of aggregation - Reinsurance contracts held
1	Health	- Legal entity	- Line of business
2	Motor	- General Line of business	- Treaty name / number
3	Accident and Liability	- Line of business	- Inception year
4	Property	- Branch	
5	Marine	- Channel	
6	General Accident	- Inception year	
7	Protection and Savings	- Profitability	

**d) Measurement – Overview****i. Measurement model(s)**

The company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds. The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities remaining coverage, the PAA is broadly similar to the company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

**3. STANDARDS AND AMENDMENTS ISSUED**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

2) Significant Judgements and Accounting Policy Choices (continued)

e) Significant Judgements and Estimates

i. PAA eligibility assessment approach

In PAA Liability for remaining coverage (LFRC) and Asset for remaining coverage (AFC) for those groups of insurance contracts where the coverage period was more than one year. The calculation was performed under both simplified approach i.e. Premium Allocating Approach (PAA) and General Measurement Model (GMM). Situations, which may cause the LFRC and / or ARC under LFRC and / or ARC under the GMM.

ii. Discounting methodology

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The company generally determines the risk-free rates using Saudi Arabia Government Bonds . The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

iii. Risk Adjustment methodology, including correlations, and Confidence level selected

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique. The risk adjustments for non-financial risk are determined using the following techniques: non-life contracts, a confidence level technique;

Life and participating contracts outside Europe: a confidence level technique; and life and participating contracts in Europe: a cost of capital technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results. Applying a confidence level technique, the company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.



**Notes to the financial statements (continued)**

**3. STANDARDS AND AMENDMENTS ISSUED (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

2) Significant Judgements and Accounting Policy Choices (continued)

e) Significant Judgements and Estimates (continued)

iv. CSM release pattern

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

v. Onerosity determination

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

-Pricing information

-Results of similar contracts it has recognized

-Environmental factors, e.g. a change in market experience or regulations.

vi. Provision for Doubtful Debts

Insurance contracts are accounted for under IFRS-17 and excluded from the scope of IFRS-9. However, the company has developed impairment methodology for Contribution and re-takaful / reinsurance balance receivable/ recoverable based on the methodology as provided by IFRS 9.

vii. Reinsurer Default provision

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

viii. VAT treatment

Transaction-based taxes (such as premium taxes, value added taxes and goods and services taxes) and levies that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis. These are part of fulfillment cash flows within the boundary of insurance contracts.

**3. STANDARDS AND AMENDMENTS ISSUED**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

2) Significant Judgements and Accounting Policy Choices (continued)

f) Accounting Policy Choices

i. Length of Cohorts

Company has adopted annual cohorts to measure groups of insurance contracts issued and reinsurance contracts held.

ii. Use of OCI for Insurance Finance income / expenses (IFIE)

The company will record IFTE through the statement of profit or loss and not considering to adopt OCI policy option.

iii. Unwinding of Discount on Risk Adjustment

Company will choose not to disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result in statement of profit or loss.

iv. Expense Attribution

The company identify expenses which are directly attributable towards acquiring (acquisition cost) and fulfilling / maintaining (other attributable expenses) the new business and those which are not (non-attributable expenses). Acquisition costs, such as underwriting costs except for initial commissions paid, will no longer be recognized in the statement of income when incurred and instead will be spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity based costing principles. The company has determined costs directly identified to the groups of contracts as well as costs where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses, overheads and one-off exceptional expenses will typically be recognized in the profit or loss account immediate when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

v. Deferral of Acquisition Cost

Where coverage period of all contracts within a group is no longer than one year, acquisition costs (revised as per IFRS 17) can either be expensed as they arise or capitalized and amortized over the coverage period. For groups containing contracts longer than one year, acquisition costs must be capitalized.

vi. Policyholder Surplus accounting

We have considered the implications of 10% surplus distribution as a part of non-distinct investment component analysis. However, separate presentation of policyholder and shareholder results has not been allowed for in the implementation plan since lowest unit of account has been determined at insurance contract level.

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE**  
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**Notes to the financial statements (continued)**

**3. STANDARDS AND AMENDMENTS ISSUED (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

2) Significant Judgements and Accounting Policy Choices (continued)

g) Presentation and Disclosure

i. Presentation: Key changes between IFRS4 and IFRS17 Financial Statements

Statement of Financial Position

IFRS - 4		IFRS - 17	
	202X 202X SAR '000		202X 202X SAR '000
<b>Assets</b>		<b>Assets</b>	
Cash and cash equivalents		Cash and cash equivalents	
Contributions and re-takaful / reinsurance balances receivable, net		Insurance contract assets	
Re-takaful / reinsurance share of unearned contributions		Reinsurance contract assets	
Re-takaful / reinsurance share of outstanding claims			
Re-takaful / reinsurance share of claims incurred but not reported value through profit or loss (FVTPL)			
Deferred policy acquisition costs			
Investments mandatorily measured at Fair Value through statement of income (FVSI)		Investments mandatorily measured at Fair Value through statement of income (FVSI)	
Investments designated at Fair value through other comprehensive income (FVOCI)		Investments designated at Fair value through other comprehensive income (FVOCI)	
Investments held at amortised cost		Investments held at amortised cost	
Prepayments and other assets		Prepayments and other assets	
Property and equipment, net		Property and equipment, net	
Statutory deposit		Statutory deposit	
Accrued income on statutory deposit		Accrued income on statutory deposit	
Right-of-use assets		Right-of-use assets	
<b>Total assets</b>	- -	<b>Total assets</b>	- -
<b>Liabilities</b>		<b>Liabilities</b>	
Payables, accruals and other liabilities		Payables, accruals and other liabilities	
Re-takaful / reinsurance balances payable		Insurance contract liabilities	
Unearned contributions		Reinsurance contract liabilities	
Unearned re-takaful / reinsurance commission income			
Gross outstanding claims			
Claims incurred but not reported			
Contribution deficiency reserve			
Unit linked liabilities at FVSI		End of service benefits	
End of service benefits		Provision for zakat and income tax	
Provision for zakat and income tax		Payable to SAMA	
Payable to SAMA		Lease obligations	
Lease obligations	- -	Takaful operations' surplus payable	- -
Takaful operations' surplus payable	- -		
<b>Total liabilities and accumulated surplus</b>	- -	<b>Total liabilities</b>	- -
<b>Equity</b>		<b>Equity</b>	
Share capital		Share capital	
Statutory reserve		Statutory reserve	
Retained earnings		Retained earnings	
Remeasurement reserve for End of service benefits		Remeasurement reserve for End of service benefits	
Fair value reserve - investments designated as FVOCI		Fair value reserve - investments designated as FVTOCI	
<b>Total equity</b>	- -	<b>Total equity</b>	- -
<b>Total liabilities, accumulated surplus and equity</b>	- -	<b>Total liabilities and equity</b>	- -

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

g) Presentation and Disclosure (continued)

i. Presentation: Key changes between IFRS4 and IFRS17 Financial Statements (continued)

Statement of Profit or Loss

IFRS - 4		IFRS - 17	
	202X SAR '000		202X SAR '000
<b>Revenues</b>		Insurance revenue	
Gross contribution written		Insurance service expenses	
Re-takaful / reinsurance contributions ceded - domestic		<b>Insurance service result before reinsurance contracts held</b>	-
Re-takaful / reinsurance contributions ceded - foreign			
Excess of loss expenses (XOL)		Allocation of reinsurance premiums	
<b>Net contributions written</b>	-	Amounts recoverable from reinsurers for incurred claims	
Changes in unearned contributions, net		<b>Net (expenses) / income from reinsurance contracts held</b>	-
<b>Net contributions earned</b>	-		
Re-takaful / reinsurance commission income		<b>Insurance service result</b>	-
Other underwriting income			
<b>Total Revenues</b>	-	Net fair value gains/(losses) on financial assets at fair value	
<b>Underwriting Costs and Expenses</b>		Other investment revenue (Dividend income)	
Gross claims paid and loss adjustment expenses		Reversal of impairment on financial assets	
Surrenders and maturities		<b>Investment return</b>	-
Expenses incurred related to claims			
Re-takaful / reinsurance share of claims paid		Net finance Income from insurance contracts issued	
<b>Net claims and other benefits paid</b>	-	Net finance income from reinsurance contracts held	
Changes in outstanding claims, net		Movement in investment contract liabilities	
Changes in incurred but not reported (IBNR) claims, net		<b>Net insurance financial result</b>	-
Change in contribution deficiency reserve			
<b>Net claims and other benefits incurred</b>	-	Revenue from investment management services	
Change in unit linked liabilities at FVSI, net		Other income	
Policy acquisition costs		Allowance for doubtful debts	
Other underwriting expenses		General and administrative expenses	
<b>Total Underwriting Costs and Expenses</b>	-	Special commission income	
		Other movement	
<b>Net Underwriting Income</b>	-	<b>Profit for the year before zakat attributable to the shareholders</b>	-
<b>Other Operating (Expenses)/ Income</b>		Net income for the year attributable to takaful operations	-
Allowance for doubtful debts - contributions and re-takaful /		Provision for zakat	-
reinsurance balances receivable		<b>Profit for the year after zakat attributable to the shareholders</b>	-
General and administrative expenses			
Special commission income			
Net gains on investments mandatorily measured at FVSI			
Dividend income			
Reversal of impairment on financial assets			
Other expenses			
<b>Total Other Operating Expenses</b>	-		
<b>Net income for the year before zakat</b>	-		
Net income for the year attributable to takaful operations			
<b>Net income for the year before zakat attributable to the shareholders</b>	-		
Provision for zakat			
<b>Net income for the year after zakat attributable to the shareholders</b>	-		

**Notes to the financial statements (continued)**

**3. STANDARDS AND AMENDMENTS ISSUED (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

2) Significant Judgements and Accounting Policy Choices (continued)

g) Presentation and Disclosure (continued)

ii. Disclosures

The complete set of disclosures, including listed below, will be included as part of the financial statements issued under IFRS 17

- Reconciliations for changes in Liability for Remaining Coverage, Liability for Incurred Claims, and Loss Components for Insurance contracts and for Reinsurance Held
- Reconciliation of the measurement components of Insurance/ Reinsurance Held contract balances
- Analysis of Insurance Revenue
- Effect of new business on the financial statement for Insurance Contracts and for Reinsurance Held
- Risk Framework:
  - Insurance risk
  - Market risk
  - Credit risk
  - Operational risk
  - Liquidity Risk
  - Financial risk
- Sensitivity analysis

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE**  
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**Notes to the financial statements (continued)**

**3. STANDARDS AND AMENDMENTS ISSUED**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

2) Significant Judgements and Accounting Policy Choices (continued)

h) Transition

i. Choice of Method

At 1 January 2022, the Company applied the following approaches to identify and measure certain groups of contracts in the Protection & Savings, Property and Casualty, Motor and Health segments on transition to IFRS 17.

Year of Issue	Transition Approach
From Inception	All groups except for Protection & Savings : Full retrospective approach
2015-2022	Protection & Savings for which the full retrospective approach was impracticable: Modified retrospective approach (Child Education Takaful Plan and Individual Retirement Policy)

**Full retrospective approach**

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach for Property & Casual, Motor and Medical and modified retrospective approach for Protection & Savings to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognized and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognized previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts;

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2020 are presented in the statement of changes in equity.

**Modified retrospective approach**

For Protection & Savings, the Company applied the modified retrospective approach in IFRS 17 to identify, recognize and measure certain groups of contracts at 1 January 2022, because it was impracticable to apply the full retrospective approach.

The Company considered the full retrospective approach impracticable for Protection and Saving segment under any of the following

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.
- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
  - assumptions about discount rates, because the Company had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2022; and
  - assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2022.

ii. Length of Comparatives

The balance sheet will be presented with the 31-December-2022 and 1-January-2022 comparatives and the Income statement will have the prior year comparative only.



# AL RAJHI COMPANY FOR COOPERATIVE INSURANCE

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements (continued)

#### 3. STANDARDS AND AMENDMENTS ISSUED (continued)

##### Standards issued but not yet effective (continued)

##### IFRS 17 – Insurance Contracts (continued)

##### 3) Transition Impact

##### 3a) Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is an increase in the Company's total equity of SAR 58.3m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023. These are provisional numbers and are subject to change during the review/audit of opening balances in 2023.

<b>Drivers of Changes in Equity</b>	<b>Impact on equity on transition to IFRS 17 on Jan 1, 2022</b>
Risk adjustments, net	(83,627)
Loss component, net of contribution deficiency reserve	1,967
Discounting on liability for incurred claims ('LIC'), net of Reinsurance	17,311
Release of management reserves under IFRS 4	63,362
IFRS 17 CSM impact (Premium receipt adjustment etc.)	67,217
Others	(7,965)
<b>Total Impact</b>	<b>58,265</b>

##### 3b) Impact on Liabilities and Assets

<b>Impact on Liabilities and Assets</b>	<b>Impact on equity on transition to IFRS 17 on Jan 1, 2022</b>
<b>Liabilities</b>	
Risk adjustment on liability for incurred claims ('LIC')	(127,921)
Discounting of LIC	18,413
Loss component, net of contribution deficiency reserve	1,967
Premium receivable - reclassification	380,981
Deferred insurance acquisition cost - reclassification	109,940
Unearned reinsurance commission - reclassification	20,457
Re-Takaful balances payable - reclassification	233,157
Reserve adjustments - LIC	63,362
CSM impact from GMM & VFA	83,373
Others (reclassification of ICA etc.)	(2,731)
<b>Total Impact on Liabilities</b>	<b>780,998</b>
<b>Assets</b>	
Risk adjustment on amounts recoverable for incurred claims ('AIC')	44,294
Discounting of AIC	(1,102)
Deferred insurance acquisition cost - reclassification	(109,940)
Premium receivable - reclassification	(380,981)
Re-Takaful receivable - reclassification	(233,157)
Unearned reinsurance commission - reclassification	(20,457)
CSM impact from GMM & VFA	(16,156)
Others (reclassification of ICA etc.)	(5,234)
<b>Total Impact on Assets</b>	<b>(722,733)</b>

**3. STANDARDS AND AMENDMENTS ISSUED**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance Contracts (continued)**

3) Transition Impact (continued)

3c) Sources of Uncertainties

The above numbers are based on the dry runs which have been audited by the external auditors and independent actuarial team of the auditor. However, the standard is still not officially effective and there are still many uncertainties relating to above transition impact. Following are the key uncertainties but may not be the complete list:

- 1) data reconciliation and integrations;
- 2) System implementations
- 3) Further audit and reviews
- 4) Actuarial assumptions
- 5) Market assumptions
- 6) Industrial pools and related data limitations
- 7) Bulk receipt matching assumptions etc.

**Notes to the financial statements (continued)**

**4. SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies are as follows; these policies have been applied consistently where otherwise mentioned.

**4.1 Takaful contracts**

Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant takaful risk as the possibility of having to pay benefits on the occurrence of an insured event.

Once a contract has been classified as a takaful contract, it remains a takaful contract till its maturity, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

**4.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank and murabaha deposits with an original maturity of three months or less from the acquisition date.

**4.3 Contributions and re-takaful/ reinsurance balances**

Contributions receivable are stated at gross written contributions receivable from insurance contracts, less an allowance for any uncollectible amounts. Contributions and re-takaful balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of income. 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 note 6 fall under the scope of IFRS 4 "Insurance contracts".

**4.4 Re-Takaful/ Reinsurance**

Re-takaful/ reinsurance contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its re-takaful/ reinsurance contracts held are recognized as re-takaful/ reinsurance assets. These assets consist of the re-takaful/ reinsurance share of settlement of claims and other receivables such as profit commissions and the re-takaful/ reinsurance share of outstanding claims that are dependent on the expected claims and benefits arising under the related re-takaful/ reinsurance contracts.

Amounts recoverable from or due to re-takaful/ reinsurance companies are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each re-takaful/ reinsurance contract.

Where the carrying amount of a re-takaful/ reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Allowance for doubtful debt is recognised in the statement of income. On derecognition of a re-takaful/ reinsurance asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

Ceded re-takaful/ reinsurance arrangements do not relieve the Company from its obligations to policyholders.

**4.5 Deferred policy acquisition costs (DPAC)**

Commissions and other costs directly related to the acquisition and renewal of takaful contracts are deferred and amortised over the terms of the contract to which they relate, similar to contributions earned. Amortisation is recorded in the "policy acquisition cost" in the statement of income. All other indirect costs are recognised as an expense when incurred.

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 assessment is performed of the policies at each reporting date or if circumstances exist which require assessment. If based on assessment, the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require write-off in the statement of income. DPAC is also considered in the liability adequacy test for each reporting period.

**4.6 Financial assets and liabilities**

**Measurement methods**

The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

**Notes to the financial statements (continued)**

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.6 Financial assets and liabilities (continued)**

*Profit income*

Profit income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, profit income is recognised by applying the effective profit rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

*Initial recognition and measurement*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

**4.6.1 Classification and subsequent measurement of financial assets**

The Company classifies its financial assets in the following measurement categories:

- a. Fair value through statement of income (FVSI);
- b. Fair value through other comprehensive income (FVOCI); or
- c. Held at amortised cost.

Investment in the mutual funds are classified as FVSI.

Investment in shares are designated as FVOCI.

Investments in sukuks, murabaha deposits, balances with banks, statutory deposits and contribution and retakaful balances receivables are classified as held at amortized cost.

There is no debt instrument which has been classified as FVOCI or FVSI by the Company.

The classification requirements for debt and equity instruments are described below:

***Debt instruments***

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVSI.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****4.6.1 Classification and subsequent measurement of financial assets (continued)***Solely payments of principal and profit:*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 28.1.1. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method.
- **Fair value through statement of income (FVSI):** Assets that are held for trading purpose or assets that do not meet the criteria for amortised cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI presented in the statement of income in the period in which it arises.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year ended 2022.

***Equity instruments***

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established.

Gains and losses on equity investments at FVSI (both realized and unrealized) are included in the 'Net gains on investments mandatorily measured at FVSI' line in the statement of income.

**Notes to the financial statements (continued)**

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.6.2 Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortised cost, other than contributions and re-takaful/ reinsurance balances receivable as rights and obligations under insurance contracts are accounted for under IFRS 4 because the policyholder transfers to the insurer significant insurance rather than financial risk, and FVOCI, which are in the scope of IFRS 9 for impairment.

The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 28.1.1 provides more detail of how the expected credit loss allowance is measured.

The Company assesses, at each reporting date, whether there is objective evidence that Contributions and re-takaful / reinsurance balances receivable are impaired. 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 for assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

**4.6.3 Derecognition of financial assets**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

**4.6.4 Classification and subsequent measurement of financial liabilities**

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through statement of income (FVSI): this classification is applied to financial liabilities at FVSI at initial recognition. Gains or losses on financial liabilities designated at FVSI are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of income (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income.

The Company has unit linked liabilities at FVSI. These pertain to individual Protection and Saving insurance contracts which insure human life events such as death over a long period of time. Insurance premiums are recognized directly as liabilities. These are contractually linked to the fair value of the investments within the policy holders unit linked investments. 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 actuarial techniques and are immaterial and are not a significant portion of the overall unit linked liabilities.

**4.6.5 Derecognition of financial liabilities**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).



**Notes to the financial statements (continued)****4. SIGNIFICANT ACCOUNTING POLICIES (continued)****4.7 Offsetting**

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

**4.8 Property and equipment**

Property and equipment is measured at cost net of accumulated depreciation and accumulated impairment in value if any. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

	Year
Office and electrical equipment	5
Furniture and fixtures	6-7
Motor vehicles	5
Computer hardware and software	3 - 5
Digital transformation	3 - 5

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

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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.

The carrying values of property and equipment 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 amount, the assets are written down to their recoverable amount.

The residual values, useful lives and methods of depreciation of property, equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**4.9 Statutory deposit**

In accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank ("SAMA"), the Company is required to maintain a deposit in a bank account equal to 10% of the paid up share capital of the Company. This statutory deposit cannot be withdrawn without the consent of SAMA. Statutory deposit is classified as a financial asset and is carried at amortized cost.

**4.10 Claims**

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of income in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, together with related claim handling cost whether reported by the insured or not. Provisions for reported claims not paid as at the reporting 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 ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is charged to statement of income.

The Company does not discount its liabilities for unpaid claims, as substantially all claims are expected to be paid within one year of the reporting date.

Re-takaful/ reinsurance claims are recognized when the related gross insurance claim is recognised according to the term of the relevant contract.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.11 Salvage and subrogation**

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

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

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

**4.12 Liability adequacy test**

At each reporting date, a liability adequacy test is performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs, using current estimates of future cash flows under takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests under contribution deficiency reserves.

**4.13 End of service benefits**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

**4.14 Zakat**

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Zakat is computed on the Saudi shareholders’ share of equity or net income using the basis defined under the Zakat regulations.

**4.15 Payables to SAMA**

This represents accrued income on statutory deposit and SAMA levy accrual. The Company is carrying this liability at amortized cost.

**4.16 Takaful operations’ surplus payable**

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

**4.17 Statutory reserves**

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.18 Revenue recognition

Contributions and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. The portion of contributions and commissions that will be earned in the future is reported as unearned contributions and commissions, respectively, and is deferred based on the following methods:

##### 4.18.1 Recognition of contribution and commission revenue

Contributions and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term policies (construction and engineering) and marine cargo. Unearned contributions are calculated on a straight line method over the insurance policy coverage except for:

Last three months from the period 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 contributions are earned in the first year which gradually increases towards the end of the tenure of the policy; and

Actual number of days for other lines of business.

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

Management fee attributable to shareholders' operations as appearing in note 27.2 includes contributions earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts reinsured, less provision for any anticipated future losses on continuing policies.

##### 4.18.2 Re-takaful/ Reinsurance commission income

Re-takaful/ reinsurance commissions are deferred and amortised on a straight-line basis except for long term policies and marine cargo, over the term of the takaful contracts. Re-takaful/ reinsurance commission income is recognised as the basis of terms agreed with reinsurers which include claim or loss ratios on policies ceded.

##### 4.19 Management fee for administration of takaful operations and attributable to shareholders operations

The Company's by-laws require separate books to be maintained for Takaful and Shareholders' operations. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The Company in accordance with the Islamic sharia provisions of managing the co-operative insurance operations calculates the management fees in the below manner and pays it in full shortly after the end of the fiscal year.

- The first component of the management fee is calculated based on the net contributions written for the year after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the statement of income – shareholders' operations; and
- The other component of the management fee is determined up to 90% of the net surplus if any for the year from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the SAMA.

##### 4.20 Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when they relate to items where gains or losses are recognized directly in other comprehensive income and the gain or loss is recognised net of the exchange component in equity.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.21 Dividend distribution**

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

**4.22 Segmental reporting**

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

- Medical
- Motor
- Property and casualty
- Protection and savings

Operating segments do not include shareholders' operations of the Company. Income earned from investments is the only revenue generating activity in shareholders operations. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting to the Chief Executive Officer. The Chief Executive Officer is the key decision maker and is responsible for allocating resources, assessing performance and making strategic decisions of the operating segments. No inter-segment transactions occurred during the year.

**4.23 Seasonality of operations**

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

**4.24 Leases**

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

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 10 years for offices, vehicles and equipments. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

# AL RAJHI COMPANY FOR COOPERATIVE INSURANCE

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements (continued)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.24 Leases (continued)

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

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Takaful operations	
	December 31, 2022	December 31, 2021
<b>SAR'000</b>		
Bank balances and cash	341,683	431,362
Deposits maturing within 3 months from the acquisition date	175,000	-
<b>Cash and cash equivalents in the statement of cash flow</b>	<b>516,683</b>	<b>431,362</b>
Less : Impairment loss	(126)	-
<b>Cash and bank balances, net</b>	<b>516,557</b>	<b>431,362</b>
Deposits against letters of guarantee	61,318	40,190
<b>Total</b>	<b>577,875</b>	<b>471,552</b>
	Shareholders' operations	
	December 31, 2022	December 31, 2021
<b>SAR'000</b>		
Bank balances and cash	37,784	23,809
Cash balance with Al Rajhi Capital	(1,873)	(1,074)
<b>Cash and cash equivalents in the statement of cash flow</b>	<b>35,911</b>	<b>22,735</b>
Cash at banks (statutory deposit income)	4,709	4,709
<b>Total</b>	<b>40,620</b>	<b>27,444</b>
<b>Total</b>	<b>618,495</b>	<b>498,996</b>

# AL RAJHI COMPANY FOR COOPERATIVE INSURANCE

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements (continued)

#### 6. CONTRIBUTIONS AND RE-TAKAFUL / RE-INSURANCE BALANCES RECEIVABLE - NET

Receivables comprise amounts due from the following:

<b>SAR'000</b>	Notes	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Policyholders		<b>326,320</b>	174,381
Brokers and agents		<b>246,379</b>	174,992
Related parties	20	<b>122,924</b>	97,335
Receivables from re-takaful / reinsurance		<b>27,705</b>	33,565
		<b>723,328</b>	480,273
Provision for doubtful receivables		<b>(39,378)</b>	(65,727)
Contributions and re-takaful / reinsurance balances receivable – net		<b>683,950</b>	414,546

Movement in provision for doubtful debts during the year was as follows:

<b>SAR'000</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Balance, January 1	<b>65,727</b>	126,194
(Reversal) for the year	<b>(20,846)</b>	(5,748)
Write-offs	<b>(5,503)</b>	(54,719)
Balance, December 31	<b>39,378</b>	65,727



# AL RAJHI COMPANY FOR COOPERATIVE INSURANCE

## (A SAUDI JOINT STOCK COMPANY)

### Notes to the financial statements (continued)

#### 6. CONTRIBUTIONS AND RE-TAKAFUL/ RE-INSURANCE BALANCES RECEIVABLE - NET (continued)

As at December 31, the ageing of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired		
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Contributions and Re-Takaful/ Reinsurance Receivables							
- Policyholders'	326,320	58,349	124,583	87,489	22,358	18,239	15,302
- Brokers and agents	246,379	118,476	46,493	34,487	36,150	8,356	2,417
- Due from related parties	122,924	-	55,682	66,316	134	369	423
- Receivable from Re-Takaful/ Reinsurance	27,705	-	2,209	690	9,264	9,368	6,174
<b>2022</b>	<b>723,328</b>	<b>176,825</b>	<b>228,967</b>	<b>188,982</b>	<b>67,906</b>	<b>36,332</b>	<b>24,316</b>

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired		
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Contributions and Re-Takaful/ Reinsurance Receivables							
- Policyholders'	174,381	65,328	70,516	12,705	12,517	5,956	7,359
- Brokers and agents	174,992	65,014	74,136	24,565	4,623	2,323	4,331
- Due from related parties	97,335	26,754	36,541	3,117	66	(803)	31,660
- Receivable from Re-Takaful/ Reinsurance	33,565	-	1,761	16,094	8,476	4,614	2,620
<b>2021</b>	<b>480,273</b>	<b>157,096</b>	<b>182,954</b>	<b>56,481</b>	<b>25,682</b>	<b>12,090</b>	<b>45,970</b>

The Company only enters into insurance and reinsurance contracts with recognized, 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 are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

Unimpaired receivables are estimated, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

The five largest customers accounts for 46.3% of the premiums receivable as at December 31, 2022 (December 31, 2021: 40.1%).

#### 7. RIGHT -OF-USE ASSETS

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

	Offices	Equipments	Total 2022	Total 2021
At the beginning of the year	55,601	132	55,733	43,649
Additions	4,103	-	4,103	21,976
Depreciation	(7,834)	(132)	(7,966)	(9,410)
Disposals	(3,499)	-	(3,499)	(482)
<b>At the end of the year</b>	<b>48,371</b>	<b>-</b>	<b>48,371</b>	<b>55,733</b>

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

Notes to the financial statements (continued)

8. PROPERTY AND EQUIPMENT

	Office and electrical equipment	Furniture and Fixtures	Motor vehicles	Computer hardware	Computer software	Digital Tranformation	Total 2022	Total 2021
	SAR'000							
<b>Cost:</b>								
At the beginning of the year	2,023	49,949	1,719	2,114	42,760	31,034	129,599	174,087
Additions during the year	124	804	-	4,455	6,107	17,387	28,877	32,556
Assets write off	-	-	-	-	-	(11,072)	(11,072)	(77,044)
At the end of the year	<b>2,147</b>	<b>50,753</b>	<b>1,719</b>	<b>6,569</b>	<b>48,867</b>	<b>37,349</b>	<b>147,404</b>	129,599
<b>Accumulated depreciation:</b>								
At the beginning of the year	976	8,767	1,719	262	33,865	794	46,383	73,789
Charge for the year (note 18)	348	7,569	-	991	3,075	11,923	23,906	13,959
Write off	-	-	-	-	-	(3,926)	(3,926)	(41,365)
At the end of the year	<b>1,324</b>	<b>16,336</b>	<b>1,719</b>	<b>1,253</b>	<b>36,940</b>	<b>8,791</b>	<b>66,363</b>	46,383
<b>Net book value as at</b>								
<b>December 31, 2022</b>	<b>823</b>	<b>34,417</b>	<b>-</b>	<b>5,316</b>	<b>11,927</b>	<b>28,558</b>	<b>81,041</b>	
December 31, 2021	1,047	41,182	-	1,852	8,895	30,240		83,216

9. STATUTORY DEPOSIT

Statutory deposit amounting to SAR 40 million (December 2021: SAR 40 million) kept with a local bank, represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA. Under ECL method the Company charged an impairment loss amounting to SAR 0.03 million (2021: SAR 0.03 million)

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Notes to the financial statements (continued)

10. INVESTMENTS

Investments are classified as follows:

SAR'000	Notes	Takaful operations	
		December 31, 2022	December 31, 2021
- Investments mandatorily measured at FVSI (mutual funds)*	10 (a)	422,591	431,121
- Investments designated as FVOCI (equity shares)	10 (b)	80,404	33,893
- Investments held at amortised cost (deposits and sukuks)	10 (c)	1,467,312	1,519,723
<b>Total</b>		<b>1,970,307</b>	<b>1,984,737</b>

\* The above investments include Unit linked investments of SAR 268.50 mn. (December 31, 2021: SAR 214.18 mn).

SAR'000		Shareholders' operations	
		December 31, 2022	December 31, 2021
- Investments mandatorily measured at FVSI (mutual funds)	10 (a)	45,163	95,783
- Investments designated as FVOCI (equity shares)	10 (b)	349,522	401,391
- Investments held at amortised cost (deposits and sukuks)	10 (c)	730,424	369,843
<b>Total</b>		<b>1,125,109</b>	<b>867,017</b>

Movement in the investment balance is as follows:

a) Investments mandatorily measured at FVSI (mutual funds)

SAR'000	Takaful operations	
	December 31, 2022	December 31, 2021
At the beginning of the year	431,121	461,621
Purchased during the year	1,696,311	1,546,008
Sold during the year	(1,720,315)	(1,603,023)
Net change in fair values during the year	15,474	26,515
At the end of the year	422,591	431,121

SAR'000	Shareholders' operations	
	December 31, 2022	December 31, 2021
At the beginning of the year	95,783	72,098
Purchased during the year	469,500	807,162
Sold during the year	(520,500)	(783,886)
Net change in fair values during the year	380	409
At the end of the year	45,163	95,783
<b>Total</b>	<b>467,754</b>	<b>526,904</b>

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Notes to the financial statements (continued)

10. INVESTMENTS (continued)

b) Investments designated as FVOCI (equity shares)

SAR'000	Takaful operations	
	December 31, 2022	December 31, 2021
Opening balance	33,893	30,107
Additions / Transfers	68,453	-
Changes in fair value of investments	(21,942)	3,786
<b>Closing balance</b>	<b>80,404</b>	<b>33,893</b>
SAR'000	Shareholders' operations	
	December 31, 2022	December 31, 2021
At the beginning of the year		
Balance of equity shares portfolio with Al Rajhi Capital	393,849	288,799
Equity - unlisted shares	7,542	7,542
Total at the beginning of the year	401,391	296,341
<b>Movement during the year</b>		
Purchased during the year	-	65,023
Sold during the year	-	(15,326)
Net change in fair values during the year	(51,869)	55,353
Closing balance of equity shares portfolio	349,522	401,391
Portfolio balance with Al Rajhi Capital at the end of the year	341,980	393,849
Equity - unlisted shares (NAJM)	7,542	7,542
At the end of the year	349,522	401,391
<b>Total</b>	<b>429,926</b>	<b>435,284</b>

# AL RAJHI COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

Notes to the financial statements (continued)

## 10. INVESTMENTS (continued)

### c) Investments held at amortised cost (deposits and sukuk)

Investments in Murabaha deposits and Sukuk are classified as investments measured at amortised cost. The Company's business model for these investments is to hold to collect the contractual cash flows. The cash flows of Murabaha deposits and Sukuk represent solely payments of principal and profit on the principal outstanding.

The movement during the year is set out below:

SAR'000	SAR' 000	
	Takaful operations	
	December 31, 2022	December 31, 2021
At the beginning of the year		
Murabaha deposits	1,100,000	1,040,000
Sukuk	420,630	189,834
Purchases	1,605,590	492,022
Disposals / maturities	(1,657,862)	(201,226)
	1,468,358	1,520,630
Less: Impairment loss	(1,046)	(907)
At the end of the year, net	1,467,312	1,519,723

SAR'000	SAR' 000	
	Shareholders' operations	
	December 31, 2022	December 31, 2021
At the beginning of the year		
Murabaha deposits	100,000	100,000
Sukuk	269,966	50,075
Purchases	785,659	339,965
Disposals / maturities	(425,065)	(120,074)
	730,560	369,966
Less: Impairment loss	(136)	(123)
At the end of the year, net	730,424	369,843
<b>Total</b>	<b>2,197,736</b>	<b>1,889,566</b>

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Notes to the financial statements (continued)

10. INVESTMENTS (continued)

d) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

i) Takaful operations

	December 31, 2022				31-Dec-21
Financial statement line item	Stage 1	Stage 2	Stage 3	Total	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Bank balances	578,001	-	-	578,001	471,552
Investments held at amortised cost	1,468,358	-	-	1,468,358	1,520,630
<b>Gross carrying amount</b>	<b>2,046,359</b>	-	-	<b>2,046,359</b>	1,992,182
Loss allowance	(1,172)	-	-	(1,172)	(907)
<b>Carrying amount</b>	<b>2,045,187</b>	-	-	<b>2,045,187</b>	1,991,275

	December 31, 2022				31-Dec-21
Credit grade	Stage 1	Stage 2	Stage 3	Total	Total
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Investment grade	2,046,359	-	-	2,046,359	1,992,182
<b>Gross carrying amount</b>	<b>2,046,359</b>	-	-	<b>2,046,359</b>	1,992,182
Loss allowance	(1,172)	-	-	(1,172)	(907)
<b>Carrying amount</b>	<b>2,045,187</b>	-	-	<b>2,045,187</b>	1,991,275

The Company's exposures to credit risk are not collateralized.

Investment grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.



AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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Notes to the financial statements (continued)

10. INVESTMENTS (continued)

d) Maximum exposure to credit risk – financial instruments subject to ECL (continued)

ii) Shareholders' operations

	December 31, 2022				31-Dec-21
Financial statement line item	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000	Total SAR'000
Bank balances	40,620	-	-	40,620	27,444
Investments held at amortised cost	730,560	-	-	730,560	369,966
Statutory deposit	-	-	-	-	40,000
<b>Gross carrying amount</b>	<b>771,180</b>	<b>-</b>	<b>-</b>	<b>771,180</b>	<b>437,410</b>
Loss allowance	(164)	-	-	(164)	(151)
<b>Carrying amount</b>	<b>771,016</b>	<b>-</b>	<b>-</b>	<b>771,016</b>	<b>437,259</b>

	December 31, 2022				31-Dec-21
Credit grade	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000	Total SAR'000
Investment grade	771,180	-	-	771,180	437,410
Non investment grade	-	-	-	-	-
<b>Gross carrying amount</b>	<b>771,180</b>	<b>-</b>	<b>-</b>	<b>771,180</b>	<b>437,410</b>
Loss allowance	(164)	-	-	(164)	(151)
<b>Carrying amount</b>	<b>771,016</b>	<b>-</b>	<b>-</b>	<b>771,016</b>	<b>437,259</b>

The Company's exposures to credit risk are not collateralized.

Investment Grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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Notes to the financial statements (continued)

10. INVESTMENTS (continued)

e) Loss allowance

The loss allowance recognised during the year and the change in the loss allowance between the beginning and the end of the year is given below.

i) Takaful operations:

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
<b>Loss allowance as at January 1, 2022</b>	<b>907</b>	-	-	<b>907</b>
<b>Movements with the statement of income</b>				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	<b>1,044</b>	-	-	<b>1,044</b>
Net re-measurement of loss allowance	<b>(779)</b>	-	-	<b>(779)</b>
Financial assets derecognised during the year		-	-	-
Write-offs	-	-	-	-
<b>Total loss allowance for the year</b>	<b>265</b>	-	-	<b>265</b>
<b>Loss allowance as at December 31, 2022</b>	<b>1,172</b>	-	-	<b>1,172</b>

ii) Shareholders' operations:

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
<b>Loss allowance as at January 1, 2022</b>	<b>151</b>	-	-	<b>151</b>
<b>Movements with the statement of income</b>				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	<b>90</b>	-	-	<b>90</b>
Net re-measurement of loss allowance	<b>(77)</b>	-	-	<b>(77)</b>
Financial assets derecognised during the year		-	-	-
Write-offs	-	-	-	-
<b>Total loss allowance for the year</b>	<b>13</b>	-	-	<b>13</b>
<b>Loss allowance as at December 31, 2022</b>	<b>164</b>	-	-	<b>164</b>

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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Notes to the financial statements (continued)

11. TECHNICAL RESERVES

11.1 Net outstanding claims and reserves

a) Net outstanding claims and reserves comprise of the following:

SAR'000	December 31, 2022	December 31, 2021
Outstanding claims	770,444	599,732
Less: Realizable value of salvage and subrogation	(645,294)	(128,450)
	125,150	471,282
Claims incurred but not reported	1,294,170	881,625
Contribution deficiency reserve	52,587	64,301
	1,471,907	1,417,208
Unit linked liabilities at FVSI	275,118	217,611
	1,747,025	1,634,819
Less:		
Re-takaful / reinsurance share of outstanding claims	186,097	207,122
Re-takaful / reinsurance share of claims incurred but not reported	93,146	60,387
	279,243	267,509
<b>Net outstanding claims and reserves</b>	<b>1,467,782</b>	<b>1,367,310</b>

b) Claim development:

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision for 2022:

Accident year	2018 & prior years SAR'000	2019 SAR'000	2020 SAR'000	2021 SAR'000	2022 SAR'000	Total SAR'000
Estimate of ultimate claims cost at end of accident year	8,204,882	2,254,836	1,594,506	2,056,092	2,255,934	2,255,934
One year later	8,267,636	2,209,211	1,583,024	1,943,257	-	1,943,257
Two years later	8,192,244	2,181,729	1,495,876	-	-	1,495,876
Three years later	8,117,059	2,149,779	-	-	-	2,149,779
Four years later	8,109,549	-	-	-	-	8,109,549
Current estimate of cumulative claims incurred	8,109,549	2,149,779	1,495,876	1,943,257	2,255,934	15,954,396
Cumulative payments to date	7,912,148	2,001,849	1,359,005	1,739,484	1,470,003	14,482,489
Total gross insurance outstanding claims provision per the statement of financial position	197,402	147,930	136,872	203,773	785,931	1,471,907

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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Notes to the financial statements (continued)

11. TECHNICAL RESERVES

11.1 Net outstanding claims and reserves (Continued)

b) Claim development: (continued)

Gross insurance contract outstanding claims provision for 2021:

<i>Accident year</i>	<i>2017 &amp; prior years SAR'000</i>	<i>2018 SAR'000</i>	<i>2019 SAR'000</i>	<i>2020 SAR'000</i>	<i>2021 SAR'000</i>	<i>Total SAR'000</i>
Estimate of ultimate claims cost at end of accident year	5,620,561	2,589,445	2,263,701	1,593,173	2,201,681	2,201,681
One year later	5,686,469	2,561,928	2,209,419	1,580,808	-	1,580,808
Two years later	5,614,361	2,522,616	2,200,179	-	-	2,200,179
Three years later	5,592,767	2,488,779	-	-	-	2,488,779
Four years later	5,618,147	-	-	-	-	5,618,147
Current estimate of cumulative claims incurred	5,618,147	2,488,779	2,200,179	1,580,808	2,201,681	14,089,594
Cumulative payments to date	5,420,827	2,387,094	2,037,995	1,371,261	1,455,209	12,672,386
Total gross insurance outstanding claims provision per the statement of financial position	197,320	101,685	162,184	209,547	746,472	1,417,208

11.2 Movement in unearned contributions

Movement in unearned contributions comprise of the following:

Year ended December 31, 2022

SAR'000

	<b>Gross</b>	<b>Re-takaful (Reinsurance)</b>	<b>XOL</b>	<b>Net</b>
Balance at the beginning of the year	1,168,466	(227,284)	-	941,182
Contribution written during the year	3,470,070	(671,060)	(13,003)	2,786,007
Contribution earned during the year	(3,034,753)	577,920	13,003	(2,443,830)
Balance at the end of the year	1,603,783	(320,424)	-	1,283,359

Year ended December 31, 2021

SAR'000

	<b>Gross</b>	<b>Re-takaful (Reinsurance)</b>	<b>XOL</b>	<b>Net</b>
Balance at the beginning of the year	1,204,917	(210,423)	-	994,494
Contribution written during the year	2,759,590	(541,156)	(10,707)	2,207,727
Contribution earned during the year	(2,796,041)	524,295	10,707	(2,261,039)
Balance at the end of the year	1,168,466	(227,284)	-	941,182

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Notes to the financial statements (continued)

11. TECHNICAL RESERVES (Continued)

11.3 Movement in deferred policy acquisition costs

SAR '000	December 31, 2022	December 31, 2021
Balance at the beginning of the year	109,940	87,591
Incurred during the year	396,578	213,375
Amortized during the year	(341,885)	(191,026)
Balance at the end of the year	164,633	109,940

11.4 Movement in unearned Re-takaful commission income

SAR '000	December 31, 2022	December 31, 2021
Balance at the beginning of the year	20,457	14,902
Incurred during the year	47,838	41,479
Amortized during the year	(39,515)	(35,924)
Balance at the end of the year	28,780	20,457

12. COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and contingencies are as follows:

SAR'000	December 31, 2022	December 31, 2021
Letters of guarantee	61,318	40,190
<b>Total</b>	<b>61,318</b>	<b>40,190</b>

b) The Company enters into takaful contracts 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 the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities.

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Notes to the financial statements (continued)

13. PREPAYMENTS AND OTHER ASSETS

<b>SAR '000</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accrued investment income	36,972	34,973
Advances to network hospitals	432	20,278
Prepayments to staff medical policy	12,806	10,331
Prepayments to workshops	5,462	7,669
Prepayments to ZATCA and others	14,311	6,258
Advance to employees	4,384	3,931
Prepayments to computer software	9,889	2,223
Other assets	5,299	3,048
	<b>89,555</b>	<b>88,711</b>

14. PAYABLE, ACCRUALS AND OTHER LIABILITIES

<b>SAR '000</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Payables to policyholders against claims	99,721	13,254
Accrued expenses	82,913	74,420
Marketing representative commissions	12,558	9,235
Provision for leave encashment	3,268	2,012
Payable to ZATCA	39,665	43,041
Other liabilities	39,481	38,246
	<b>277,606</b>	<b>180,208</b>

15. LEASE LIABILITIES

<b>SAR '000</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
As at 1 January	54,482	42,714
Additions	4,103	21,494
Finance cost	2,639	2,589
Lease payments	(12,002)	(12,315)
As at 31 December	<b>49,222</b>	<b>54,482</b>

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Notes to the financial statements (continued)

16. END OF SERVICE BENEFITS (EOSB)

16.1 General description

The Company operates an end of service benefit scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified actuary in accordance with International Accounting Standard 19 - Employee Benefits, using "Projected Unit Credit Method".

16.2 Movement of defined benefit obligation

	December 31, 2022	December 31, 2021
	SAR'000	
Opening balance	24,635	27,680
Charge to statement of income	4,673	4,853
Charge to statement of comprehensive income	(1,904)	(425)
Payment of benefits during the year	(4,592)	(7,473)
Closing balance	22,812	24,635

	December 31, 2022	December 31, 2021
	SAR'000	
Present value of defined benefit obligation as at January 1	24,635	27,680
Current service costs	3,533	4,203
Financial costs	1,140	650
Remeasurement gain from experience adjustments	(1,904)	(425)
Payment of benefits during the year	(4,592)	(7,473)
Present value of defined benefit obligation as at December 31	22,812	24,635

16.3 Principal actuarial assumptions

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

Basic actuarial assumptions as at:	December 31, 2022	December 31, 2021
Valuation discount rate	4.00%	3.00%
Expected rate of increase in salary level across different age	4.00%	3.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Sensitivity analysis

Reasonably possible changes as to one of the actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	December 31, 2022	
	SAR'000	
	Increase	Decrease
Discount rate (1.0% movement)	21,778	23,949
Future salary growth (1.0% movement)	23,937	21,770

	December 31, 2021	
	SAR'000	
	Increase	Decrease
Discount rate (1.0% movement)	23,122	26,290
Future salary growth (1.0% movement)	26,267	23,123



**Notes to the financial statements (continued)**

**17. FAIR VALUES 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 advantageous accessible market for the asset or liability

**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.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
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Notes to the financial statements (continued)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

		Fair value			
SAR'000	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2022					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	467,754	467,754	-	-	467,754
- Investments designated as FVOCI – Quoted ecurities	422,384	422,384	-	-	422,384
- Investments designated as FVOCI – Unquoted securities	7,542	-	-	7,542	7,542
	897,680	890,138	-	7,542	897,680
Financial assets not measured at fair value					
- Cash and cash equivalents	618,495	-	-	-	618,495
- Investments held at amortised cost	2,197,736	-	-	-	2,197,736
- Statutory deposit	39,971	-	-	-	39,971
- Other assets	38,183	-	-	-	38,183
	2,894,385	-	-	-	2,894,385

		Fair value			
SAR'000s	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	458,232	458,232	68,672	-	526,904
- Investments designated as FVOCI – Quoted securities	427,742	427,742	-	-	427,742
- Investments designated as FVOCI – Unquoted securities	7,542	-	-	7,542	7,542
	893,516	885,974	68,672	7,542	962,188
Financial assets not measured at fair value					
- Cash and cash equivalents	498,996	-	-	-	498,996
- Investments held at amortised cost	1,889,566	-	-	-	1,889,566
- Statutory deposits at amortised cost	39,971	-	-	-	39,971
- Other assets	26,632	-	-	-	26,632
	2,455,165	-	-	-	2,455,165

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

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Notes to the financial statements (continued)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

		Fair value			
SAR'000	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2022					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	275,118	275,118	-	-	275,118
	275,118	275,118	-	-	275,118

		Fair value			
SAR'000s	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	217,611	217,611	-	-	217,611
	217,611	217,611	-	-	217,611

b. Level 3 fair values

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.

Shareholders' operations

SAR'000s	Financial assets at FVOCI – Unquoted securities
Balance at January 1, 2022	7,542
<b>Balance at December 31, 2022</b>	<b>7,542</b>

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Notes to the financial statements (continued)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

b. Level 3 fair values (continued)

Reconciliation of Level 3 fair values

Shareholders' operations

SAR'000s	Financial assets at FVOCI – Unquoted securities
Balance at January 1, 2021	7,542
Balance at December 31, 2021	7,542

18. GENERAL AND ADMINISTRATIVE EXPENSES

	31-Dec-22	31-Dec-21
	SAR'000	
Employee costs	152,227	169,954
Office expenses	16,871	19,154
Depreciation	31,051	49,640
Legal and professional fees	12,340	13,857
Information technology expenses	32,071	26,304
Advertising and marketing expenses	2,820	725
Communication expenses	2,286	1,659
Travel and lodging expenses	1,197	1,332
Others	8,778	7,280
	259,641	289,905

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Notes to the financial statements (continued)

19. OPERATING SEGMENTS

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 their 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 surplus or deficit since December 31, 2021.

Segment assets do not include takaful operations' bank balances and cash, net contributions receivable, investments etc., accordingly, they are included in unallocated assets. Segment liabilities do not include takaful operations' payables accruals and other liabilities and re-takaful / reinsurance balances payable etc., accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2022 and December 31, 2021, its total revenues, expenses, and net income for period ended, are as follows:

For the year ended December 31, 2022

Customers' category					
			Property & casualty	Protection & Savings	Total
	SAR'000				
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	62,867	818,387	11,637	148,605	1,041,496
Very small	4,696	71,597	-	-	76,293
Small	11,800	67,669	-	-	79,469
Medium	31,759	70,747	124	-	102,630
Corporate	555,201	694,198	543,906	376,877	2,170,182
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>	666,323	1,722,598	555,667	525,482	3,470,070

For the year ended December 31, 2021

Customers' category					
			Property & casualty	Protection & Savings	Total
	SAR'000				
<u>GROSS CONTRIBUTION WRITTEN</u>					
Retail	42,051	745,566	11,292	103,801	902,710
Very small	7,410	-	-	-	7,410
Small	31,521	132,933	959	-	165,413
Medium	44,967	68,808	8,251	-	122,026
Corporate	225,641	710,393	418,371	207,626	1,562,031
<u>TOTAL GROSS CONTRIBUTION WRITTEN</u>					
	351,590	1,657,700	438,873	311,427	2,759,590

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Notes to the financial statements (continued)

19. OPERATING SEGMENTS (continued)

As at December 31, 2022

Operating segments	Takaful operations					Shareholders' operations	Total
	Medical	Motor	Property & Casualty	Protection & Savings	Total - Takaful operations		
	SAR'000						
<b>Assets:</b>							
Cash and cash equivalents	-	-	-	-	577,875	40,620	618,495
Contributions and re-takaful / reinsurance balances receivable – net	-	-	-	-	683,950	-	683,950
Re-takaful / reinsurance share of unearned contributions	-	2,925	303,770	13,729	320,424	-	320,424
Re-takaful / reinsurance share of outstanding claims	-	11,145	111,486	63,466	186,097	-	186,097
Re-takaful / reinsurance share of claims incurred but not reported	-	-	48,596	44,550	93,146	-	93,146
Deferred policy acquisition costs	16,284	132,568	13,532	2,249	164,633	-	164,633
Investments mandatorily measured at FVSI	-	-	-	-	422,591	45,163	467,754
Investments designated as FVOCI	-	-	-	-	80,404	349,522	429,926
Investments held at amortised cost	-	-	-	-	1,467,312	730,424	2,197,736
Right-of-use assets	-	-	-	-	-	48,371	48,371
Unallocated assets	-	-	-	-	(60,712)	276,350	215,638
<b>Total assets</b>	<b>16,284</b>	<b>146,638</b>	<b>477,384</b>	<b>123,994</b>	<b>3,935,720</b>	<b>1,490,450</b>	<b>5,426,170</b>
<b>Liabilities, accumulated surplus &amp; equity</b>							
Unearned contributions	323,973	941,362	318,837	19,613	1,603,784	-	1,603,784
Unearned re-takaful / reinsurance commission	-	16	28,764	-	28,780	-	28,780
Gross outstanding claims	56,232	(138,674)	118,496	89,096	125,150	-	125,150
Claims incurred but not reported	207,468	933,041	65,840	87,821	1,294,170	-	1,294,170
Contribution deficiency reserve	8,766	43,725	96	-	52,587	-	52,587
Lease obligations	-	-	-	-	-	49,222	49,222
Unallocated liabilities, equity and surplus	-	-	-	-	831,249	1,441,228	2,272,477
<b>Total liabilities, accumulated surplus and equity</b>	<b>596,439</b>	<b>1,779,469</b>	<b>532,033</b>	<b>196,530</b>	<b>3,935,720</b>	<b>1,490,450</b>	<b>5,426,170</b>

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Notes to the financial statements (continued)

19. OPERATING SEGMENTS (continued)

As at December 31, 2021

Operating segments	Takaful operations				Total - Takaful operations	Shareholders' operations	Total
	Medical	Motor	Property & casualty	Protection & Savings			
	SAR'000						
Assets:							
Cash and cash equivalents	-	-	-	-	471,552	27,444	498,996
Contributions and re-takaful / reinsurance balances receivable – net	-	-	-	-	414,546	-	414,546
Re-takaful / reinsurance share of unearned contributions	-	5,473	205,789	16,022	227,284	-	227,284
Re-takaful / reinsurance share of outstanding claims	-	11,001	99,688	96,433	207,122	-	207,122
Re-takaful / reinsurance share of claims incurred but not reported	-	2,325	24,484	33,578	60,387	-	60,387
Deferred policy acquisition costs	8,691	93,134	7,350	765	109,940	-	109,940
Investments mandatorily measured at FVSI	-	-	-	-	431,121	95,783	526,904
Investments designated as FVOCI	-	-	-	-	33,893	401,391	435,284
Investments held at amortised cost	-	-	-	-	1,519,723	369,843	1,889,566
Right-of-use assets	-	-	-	-	-	55,732	55,732
Unallocated assets	-	-	-	-	(293,609)	509,166	215,557
Total assets	8,691	111,933	337,311	146,798	3,181,959	1,459,359	4,641,318
Liabilities, accumulated surplus & equity							
Unearned contributions	189,655	730,161	224,879	23,771	1,168,466	-	1,168,466
Unearned re-takaful / reinsurance commission	-	45	20,412	-	20,457	-	20,457
Gross outstanding claims	10,905	229,640	106,641	124,096	471,282	-	471,282
Claims incurred but not reported	128,927	673,006	34,136	45,556	881,625	-	881,625
Contribution deficiency reserve	15,957	46,385	1,230	729	64,301	-	64,301
Lease obligations	-	-	-	-	-	54,482	54,482
Unallocated liabilities, equity and surplus	-	-	-	-	575,828	1,404,877	1,980,705
Total liabilities, accumulated surplus and equity	345,444	1,679,237	387,298	194,152	3,181,959	1,459,359	4,641,318



AL RAJHI COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)

Notes to the financial statements (continued)

19. OPERATING SEGMENTS (continued)

Operating segments	For the year ended December 31, 2022				
	Medical	Motor	Property & Casualty	Protection & Savings	Total
	SAR'000				
<b><u>REVENUES</u></b>					
Gross contributions written	666,323	1,722,598	555,667	525,482	3,470,070
Re-takaful / reinsurance contributions ceded	-	(2,329)	(513,379)	(155,352)	(671,060)
Excess of loss expenses (XOL)	-	(7,372)	(5,631)	-	(13,003)
<b>Net contributions written</b>	<b>666,323</b>	<b>1,712,897</b>	<b>36,657</b>	<b>370,130</b>	<b>2,786,007</b>
Changes in unearned contributions, net	(134,318)	(213,749)	4,024	1,865	(342,178)
<b>Net contributions earned</b>	<b>532,005</b>	<b>1,499,148</b>	<b>40,681</b>	<b>371,995</b>	<b>2,443,829</b>
Re-takaful / reinsurance commission income	-	2,029	37,486	-	39,515
Other underwriting income	(3)	3,558	88	2,691	6,334
<b><u>TOTAL REVENUES</u></b>	<b>532,002</b>	<b>1,504,735</b>	<b>78,255</b>	<b>374,686</b>	<b>2,489,678</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>					
Gross claims paid and loss adjustment expenses	(335,136)	(1,302,773)	(37,734)	(189,159)	(1,864,802)
Surrender and maturities	-	-	-	(45,173)	(45,173)
Expenses incurred related to claims	(5,134)	(31,460)	(189)	-	(36,783)
Re-takaful / re-insurance share of claims paid	-	2,894	35,449	132,823	171,166
<b>Net claims and other benefits paid</b>	<b>(340,270)</b>	<b>(1,331,339)</b>	<b>(2,474)</b>	<b>(101,509)</b>	<b>(1,775,592)</b>
Changes in outstanding claims, net	(45,327)	368,458	(57)	2,033	325,107
Changes in incurred but not reported (IBNR) claims, net	(78,541)	(262,360)	(7,592)	(31,293)	(379,786)
Contribution deficiency reserve	7,191	2,660	1,134	729	11,714
<b>Net claims and other benefits incurred</b>	<b>(456,947)</b>	<b>(1,222,581)</b>	<b>(8,989)</b>	<b>(130,040)</b>	<b>(1,818,557)</b>
Change in unit linked liabilities at FVSI, net	-	-	-	(68,173)	(68,173)
Policy acquisition costs	(25,899)	(183,204)	(13,633)	(119,148)	(341,884)
Other underwriting expenses	(5,580)	(6,331)	1,374	(6,769)	(17,306)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b>(488,426)</b>	<b>(1,412,116)</b>	<b>(21,248)</b>	<b>(324,130)</b>	<b>(2,245,920)</b>
<b>NET UNDERWRITING INCOME</b>	<b>43,576</b>	<b>92,619</b>	<b>57,007</b>	<b>50,556</b>	<b>243,758</b>
<b><u>OTHER OPERATING EXPENSES</u></b>					
Reversal of allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable					20,846
General and administrative expenses					(259,641)
Special commission income					60,711
Net gains on investments mandatorily measured at FVSI					16,570
Dividend income					13,029
Reversal of impairment on financial assets					(242)
Other income					12,726
<b><u>NET INCOME FOR THE YEAR BEFORE ZAKAT</u></b>					<b>107,757</b>

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Notes to the financial statements (continued)

19. OPERATING SEGMENTS (continued)

For the year ended December 31, 2021

Operating segments	Medical	Motor	Property & Casualty	Protection & Savings	Total
	SAR'000				
<b>REVENUES</b>					
Gross contributions written	351,590	1,657,700	438,873	311,427	2,759,590
Re-takaful / reinsurance contributions ceded	-	(8,136)	(396,822)	(136,198)	(541,156)
Excess of loss expenses (XOL)	-	(6,490)	(4,217)	-	(10,707)
Net contributions written	351,590	1,643,074	37,834	175,229	2,207,727
Changes in unearned contributions, net	(72,867)	134,935	(2,590)	(6,166)	53,312
Net contributions earned	278,723	1,778,009	35,244	169,063	2,261,039
Re-takaful / reinsurance commission income	-	925	34,999	-	35,924
Other underwriting income	(10)	2,798	77	3,525	6,390
<b>TOTAL REVENUES</b>	<b>278,713</b>	<b>1,781,732</b>	<b>70,320</b>	<b>172,588</b>	<b>2,303,353</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid and loss adjustment expenses	(233,651)	(1,394,506)	(17,877)	(139,431)	(1,785,465)
Surrender and maturities	-	-	-	(28,810)	(28,810)
Expenses incurred related to claims	(1,840)	(25,744)	-	-	(27,584)
Re-takaful / reinsurance share of claims paid	-	4,258	15,940	105,856	126,054
<b>Net claims and other benefits paid</b>	<b>(235,491)</b>	<b>(1,415,992)</b>	<b>(1,937)</b>	<b>(62,385)</b>	<b>(1,715,805)</b>
Changes in outstanding claims, net	(7,986)	(10,720)	(1,826)	(20,568)	(41,100)
Changes in incurred but not reported (IBNR) claims, net	(33,282)	67,978	(4,433)	(6,164)	24,099
Change in contribution deficiency reserve	5,646	6,399	(665)	(729)	10,651
<b>Net claims and other benefits incurred</b>	<b>(271,113)</b>	<b>(1,352,335)</b>	<b>(8,861)</b>	<b>(89,846)</b>	<b>(1,722,155)</b>
Change in unit linked liabilities at FVSI	-	-	-	(50,852)	(50,852)
Policy acquisition costs	(20,239)	(147,899)	(13,100)	(9,789)	(191,027)
Other underwriting expenses	(584)	(12,615)	2,532	(2,142)	(12,809)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(291,936)</b>	<b>(1,512,849)</b>	<b>(19,429)</b>	<b>(152,629)</b>	<b>(1,976,843)</b>
<b>NET UNDERWRITING INCOME</b>	<b>(13,223)</b>	<b>268,883</b>	<b>50,891</b>	<b>19,959</b>	<b>326,510</b>
<b>OTHER OPERATING EXPENSES</b>					
Reversal of allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable					5,748
General and administrative expenses					(289,905)
Special commission income					51,033
Net gains on investments mandatorily measured at FVSI					17,568
Dividend income					13,509
Impairment loss on financial assets					10
Other income					1,028
<b>NET INCOME FOR THE YEAR BEFORE ZAKAT</b>					<b>125,501</b>

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Notes to the financial statements (continued)

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Transactions for the year ended		Balance receivable / (payable) as at	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	SAR'000			
<b><u>Major shareholders</u></b>				
Gross contribution written	718,691	709,180	121,709	95,806
Claims paid	497,413	498,565	-	-
Claims incurred and notified during the period	587,154	566,423	(351,061)	(101,720)
Reimbursement from related party	-	-	-	-
Bank Balance	-	-	294,200	255,485
Investment in shares of Al Rajhi Banking and Investment Corporation	-	-	54,793	64,575
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
Gross contribution written	23,318	23,268	1,215	1,529
Claims paid	2,633	2,633	-	-
Claims incurred and notified during the period	19,300	11,944	(26,345)	(9,679)
Investments managed by affiliates	10,396	5,579	302,591	292,003
Income received from sale of investment in Al Rajhi Capital commodity fund	10,082	5,380	-	-
Investment management fee paid to Al Rajhi Capital	2,694	3,352	-	-

The compensation of key management personnel during the year is as follows:

	For the year ended	
	December 31, 2022	December 31, 2021
	SAR'000	
Salaries and other allowances	5,711	5,643
End of service benefits	418	2,093
	6,129	7,736
Board remuneration	2,347	1,580
Shariah committee remuneration	280	250

**Notes to the financial statements (continued)**

**21. ZAKAT AND INCOME TAX**

A summary of Movement in the Zakat and income tax accrued during the year ended 31 December 2022 and the year ended 31 December 2021 are as follows:

**a) The zakat charge for the year has been computed as follows:**

	December 31, 2022	December 31, 2021
	SAR'000	
Equity Opening	1,270,416	1,112,381
Opening allowances and other adjustments	90,362	153,874
Book value of long term assets	(1,249,204)	(667,337)
	111,574	598,918
Zakatable income for the year	287,650	127,795
Zakat base	399,224	726,713
 Zakat @ 2.5%	10,250	18,658
Zakat Provision	-	5,500
Zakat refund for Saudi Government Sukuk	-	(7,246)
	10,250	16,912

The differences between the income as per the financial statements and zakatable income (income subject to zakat which is computed based on zakat rules) for the year used for zakat base is mainly due to provisions, which are not allowed in the calculation of zakatable income.

	December 31, 2022	December 31, 2021
	SAR'000	
Zakat charge for the year	10,250	24,158
Zakat refund for Saudi Government Sukuk	-	(7,246)
Zakat charge for the year net of refunds	10,250	16,912

**b) Movements in zakat payable are as follows:**

	December 31, 2022	December 31, 2021
	SR '000	
Balance at beginning of the year	51,341	47,904
Provided during the year	10,250	24,158
Payments during the year	(11,666)	(20,721)
Balance at end of the year	49,925	51,341

**Shareholdings**

Following are the shareholding structure of the Company as on:

	December 31, 2022	December 31, 2021
Shareholding subject to Zakat	100%	100%

**Status of assessments**

The Company had filed zakat and income tax returns with the Zakat, Tax and Customs Authority ("ZATCA") for the years from 2010 to 2021.

ZATCA has issued assessments for the years 2015 to 2018, demanding an additional Zakat as assessed by them amounting to SAR 11.73 million pertains to these years. The Company paid an amount of SAR 1.42 million and has filed objections for SAR 10.31 million with the authority. Further ZATCA issued initial assesment for the years 2019 & 2020, demanding additional assessed amount of SAR 10.31 million and SAR 12.1 million respectively. The company paid 10% of the assessed amounts and appealed against the additional assessed amounts in full for those years.

Based on the appeals and as per the update from tax consultant, the Company does not expect any negative outcome from the additional assessed amounts.

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Notes to the financial statements (continued)

22. UNIT LINKED LIABILITIES AT FVSI

The movement during the year in financial liabilities at fair value through statement of income is set out below:

	December 31, 2022	December 31, 2021
	SAR'000	
At the beginning of the year	217,611	141,093
Net changes in reserve during the year	45,027	50,860
Net change in fair values during the year	12,480	25,658
At the end of the year	275,118	217,611

23. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 400 million at December 31, 2022 (December 31, 2021: SAR 400 million) consisting of 40 million shares at December 31, 2022 (December 31, 2021: 40 million shares) of SAR 10 each.

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

	31-Dec-22		
	Authorized and issued		Paid up
	No. of shares	SAR'000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	14,000,000	140,000	140,000
Others	15,400,000	154,000	154,000
	40,000,000	400,000	400,000

	31-Dec-21		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Others	20,400,000	204,000	204,000
	40,000,000	400,000	400,000

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Notes to the financial statements (continued)

24. 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. 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 operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SAR 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 December 31, 2022 consists of paid-up share capital of SAR 400 million, statutory reserves of SAR 196.1 million and retained earnings of SAR 667.2 million (December 31, 2021: paid-up share capital of SAR 400 million, statutory reserves of SAR 178.2 million and retained earnings of SAR 595.5 million.) in the statement of financial position

25. EARNINGS PER SHARE ("EPS")

Earnings per share for the year ended December 31, 2022 and year ended December 31, 2021 is calculated by dividing the net income for the year attributable to the equity holders by 40 million shares. There were no dilutive potential shares in issue as at December 31, 2022 and December 31, 2021.

26. TAKAFUL OPERATIONS' SURPLUS PAYABLE

	December 31, 2022	December 31, 2021
	SAR'000	SAR'000
Opening surplus distribution payable at beginning of the year	48,628	48,316
Total income attributed to the insurance operations during the year	7,889	10,118
Surplus paid to policy holders	(19,199)	(9,806)
Closing surplus distribution payable at the end of the year	37,318	48,628

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Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION

27.1 Statement of financial position

	SAR '000					
	31-Dec-22			31-Dec-21		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
<b>ASSETS:</b>						
Cash and cash equivalents	577,875	40,620	618,495	471,552	27,444	498,996
Contributions and re-takaful / reinsurance balances receivable - net	683,950	-	683,950	414,546	-	414,546
Re-takaful / reinsurance share of unearned contributions	320,424	-	320,424	227,284	-	227,284
Re-takaful / reinsurance share of outstanding claims	186,097	-	186,097	207,122	-	207,122
Re-takaful / reinsurance share of outstanding claims IBNR	93,146	-	93,146	60,387	-	60,387
Re-takaful / reinsurance share of mathematical reserve at FVSI	45	-	45	31	-	31
Deferred policy acquisition costs	164,633	-	164,633	109,940	-	109,940
Investments mandatorily measured at FVSI	422,591	45,163	467,754	431,121	95,783	526,904
Investments designated as FVOCI	80,404	349,522	429,926	33,893	401,391	435,284
Due (to) / from shareholders' / takaful operations	(110,648)	110,648	-	(358,969)	358,969	-
Investments held at amortised cost	1,467,312	730,424	2,197,736	1,519,723	369,843	1,889,566
Prepayments and other assets	49,891	39,664	89,555	65,329	23,383	88,712
Property and equipment, net	-	81,041	81,041	-	83,216	83,216
Statutory deposit	-	39,971	39,971	-	39,971	39,971
Accrued income on statutory deposit	-	5,026	5,026	-	3,626	3,626
Right-of-use assets	-	48,371	48,371	-	55,733	55,733
<b>TOTAL ASSETS</b>	<b>3,935,720</b>	<b>1,490,450</b>	<b>5,426,170</b>	<b>3,181,959</b>	<b>1,459,359</b>	<b>4,641,318</b>



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Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION (continued)

27.1 Statement of financial position (continued)

	SAR '000					
	31-Dec-22			31-Dec-21		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
<b>LIABILITIES:</b>						
Payables, accruals and other liabilities	226,064	51,542	277,606	127,204	53,004	180,208
Re-takaful / reinsurance balances payable	311,837	-	311,837	179,530	-	179,530
Unearned contributions	1,603,783	-	1,603,783	1,168,466	-	1,168,466
Unearned re-takaful / reinsurance commission income	28,780	-	28,780	20,457	-	20,457
Gross outstanding claims	125,150	-	125,150	471,282	-	471,282
Claim Incurred but not reported	1,294,170	-	1,294,170	881,625	-	881,625
Contribution deficiency reserve	52,587	-	52,587	64,301	-	64,301
Unit linked liabilities at FVSI	275,118	-	275,118	217,611	-	217,611
End-of-service benefits (EOSB)	-	22,812	22,812	-	24,635	24,635
Provision for zakat and income tax	-	49,925	49,925	-	51,341	51,341
Payables to SAMA	-	9,735	9,735	-	8,336	8,336
Lease obligations	-	49,222	49,222	-	54,482	54,482
	<b>3,917,489</b>	<b>183,236</b>	<b>4,100,725</b>	<b>3,130,476</b>	<b>191,798</b>	<b>3,322,274</b>
Takaful operations' surplus payable	37,318	-	37,318	48,628	-	48,628
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>	<b>3,954,807</b>	<b>183,236</b>	<b>4,138,043</b>	<b>3,179,104</b>	<b>191,798</b>	<b>3,370,902</b>
<b>EQUITY:</b>						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	196,109	196,109	-	178,186	178,186
Retained earnings	-	667,246	667,246	-	595,551	595,551
Remeasurement reserve for EOSB	-	(5,423)	(5,423)	-	(7,327)	(7,327)
Fair value reserve - Investments designated as FVOCI	(19,087)	49,282	30,195	2,855	101,151	104,006
<b>TOTAL EQUITY</b>	<b>(19,087)</b>	<b>1,307,214</b>	<b>1,288,127</b>	<b>2,855</b>	<b>1,267,561</b>	<b>1,270,416</b>
<b>TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY</b>	<b>3,935,720</b>	<b>1,490,450</b>	<b>5,426,170</b>	<b>3,181,959</b>	<b>1,459,359</b>	<b>4,641,318</b>
COMMITMENTS AND CONTINGENCIES	61,318	-	61,318	40,190	-	40,190

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Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION (continued)

27.2 Statement of income (continued)

For the year ended December 31

	SAR '000					
	2022			2021		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross contributions written	3,470,070	-	3,470,070	2,759,590	-	2,759,590
Re-takaful / reinsurance contributions ceded - domestic	(2,996)	-	(2,996)	(11,610)	-	(11,610)
Re-takaful / reinsurance contributions ceded - foreign	(668,064)	-	(668,064)	(529,546)	-	(529,546)
Excess of loss expenses – foreign	(13,003)	-	(13,003)	(10,707)	-	(10,707)
<b>Net contributions written</b>	<b>2,786,007</b>	<b>-</b>	<b>2,786,007</b>	<b>2,207,727</b>	<b>-</b>	<b>2,207,727</b>
Changes in unearned contributions, net	(342,178)	-	(342,178)	53,312	-	53,312
<b>Net contributions earned</b>	<b>2,443,829</b>	<b>-</b>	<b>2,443,829</b>	<b>2,261,039</b>	<b>-</b>	<b>2,261,039</b>
Re-takaful / reinsurance commission income	39,515	-	39,515	35,924	-	35,924
Other underwriting income	6,334	-	6,334	6,390	-	6,390
<b>TOTAL REVENUES</b>	<b>2,489,678</b>	<b>-</b>	<b>2,489,678</b>	<b>2,303,353</b>	<b>-</b>	<b>2,303,353</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid and loss adjustment expenses	(1,864,802)	-	(1,864,802)	(1,785,465)	-	(1,785,465)
Surrenders and maturities	(45,173)	-	(45,173)	(28,810)	-	(28,810)
Expenses incurred related to claims	(36,783)	-	(36,783)	(27,584)	-	(27,584)
Reinsurers' / Retakaful share of claims paid	171,166	-	171,166	126,054	-	126,054
<b>Net claims and other benefits paid</b>	<b>(1,775,592)</b>	<b>-</b>	<b>(1,775,592)</b>	<b>(1,715,805)</b>	<b>-</b>	<b>(1,715,805)</b>
Changes in outstanding claims, net	325,107	-	325,107	(41,100)	-	(41,100)
Changes in incurred but not reported (IBNR) claims, net	(379,786)	-	(379,786)	24,099	-	24,099
Change in contribution deficiency reserve	11,714	-	11,714	10,651	-	10,651
<b>Net claims and other benefits incurred</b>	<b>(1,818,557)</b>	<b>-</b>	<b>(1,818,557)</b>	<b>(1,722,155)</b>	<b>-</b>	<b>(1,722,155)</b>
Change in unit linked liabilities at FVSI, net	(68,173)	-	(68,173)	(50,852)	-	(50,852)
Policy acquisition costs	(341,884)	-	(341,884)	(191,027)	-	(191,027)
Other underwriting expenses	(17,306)	-	(17,306)	(12,809)	-	(12,809)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(2,245,920)</b>	<b>-</b>	<b>(2,245,920)</b>	<b>(1,976,843)</b>	<b>-</b>	<b>(1,976,843)</b>
<b>NET UNDERWRITING INCOME</b>	<b>243,758</b>	<b>-</b>	<b>243,758</b>	<b>326,510</b>	<b>-</b>	<b>326,510</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Reversal of allowance for doubtful debts - contribution and retakaful / reinsurance balances receivable	20,846	-	20,846	5,748	-	5,748
Management fee for administration of takaful operations	(259,641)	259,641	-	(289,905)	289,905	-
General and administrative expenses	-	(259,641)	(259,641)	-	(289,905)	(289,905)
Special commission income	49,671	11,040	60,711	46,406	4,627	51,033
Net gains on investments mandatorily measured at FVSI	11,880	4,690	16,570	12,358	5,210	17,568
Dividend income	-	13,029	13,029	-	13,509	13,509
Reversal of impairment / (Impairment loss)	(265)	23	(242)	65	(55)	10
Other income	12,641	85	12,726	-	1,028	1,028
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(164,868)</b>	<b>28,867</b>	<b>(136,001)</b>	<b>(225,328)</b>	<b>24,319</b>	<b>(201,009)</b>
<b>NET INCOME FOR THE YEAR BEFORE ATTRIBUTION OF MANAGEMENT FEE</b>	<b>78,890</b>	<b>28,867</b>	<b>107,757</b>	<b>101,182</b>	<b>24,319</b>	<b>125,501</b>
Management fee attributable to shareholders' operations	(71,001)	71,001	-	(91,064)	91,064	-
<b>NET INCOME FOR THE YEAR AFTER ATTRIBUTION OF MANAGEMENT FEE</b>	<b>7,889</b>	<b>99,868</b>	<b>107,757</b>	<b>10,118</b>	<b>115,383</b>	<b>125,501</b>
Provision for zakat	-	(10,250)	(10,250)	-	(16,912)	(16,912)
<b>Net income for the year after zakat</b>	<b>7,889</b>	<b>89,618</b>	<b>97,507</b>	<b>10,118</b>	<b>98,471</b>	<b>108,589</b>

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Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION (continued)

27.3 Statement of comprehensive income

For the year ended December 31

	SAR '000					
	2022			2021		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net income for the year after attribution of management fee to shareholders' operations	7,889	89,618	97,507	10,118	98,471	108,589
<b>Other comprehensive income / (loss) :</b>						
<b>Items that will not be reclassified to statement of income in subsequent years</b>						
- Net change in fair value in investments designated as FVOCI	(21,942)	(51,869)	(73,811)	3,786	55,353	59,139
- Remeasurement of EOSB	-	1,904	1,904	-	425	425
<b>Total comprehensive income / (Loss) for the year</b>	<b>(14,053)</b>	<b>39,653</b>	<b>25,600</b>	<b>13,904</b>	<b>154,249</b>	<b>168,153</b>
<b>Reconciliation:</b>						
Less: Net income attributable to takaful operations			(7,889)			(10,118)
<b>Total comprehensive income for the year</b>			<b>17,711</b>			<b>158,035</b>

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**27. SUPPLEMENTARY INFORMATION (continued)**

**27.4 Statement of cash flows**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the year before zakat	7,889	99,868	107,757	10,118	115,383	125,501
Adjustments for non-cash items:						
Depreciation of property and equipment	-	23,906	23,906	-	13,959	13,959
Depreciation of right-of-use assets	-	7,362	7,362	-	9,410	9,410
Write-off of assets, net	-	7,146	7,146	-	35,679	35,679
Management fee for administration of takaful operations	259,641	(259,641)	-	289,905	(289,905)	-
Management fee attributable to shareholders' operations	(148,993)	148,993	-	69,064	(69,064)	-
Reversal of allowance for doubtful debts - contribution and retakaful / reinsurance balances receivable	(26,349)	-	(26,349)	(60,467)	-	(60,467)
Unrealized gain on investments mandatorily measured at FVSI	(15,474)	(380)	(15,854)	(26,515)	(409)	(26,924)
Reversal of impairment of investments held at amortised cost	265	13	278	(65)	55	(10)
Finance cost	-	6,742	6,742	-	2,589	2,589
Provision for end-of-service benefits	-	4,673	4,673	-	4,853	4,853
	76,979	38,682	115,661	282,040	(177,450)	104,590
Changes in operating assets and liabilities:						
Contributions and re-takaful balances receivable	(243,055)	-	(243,055)	210,109	-	210,109
Re-takaful / reinsurance share of unearned contributions	(93,140)	-	(93,140)	(16,861)	-	(16,861)
Re-takaful / reinsurance share of outstanding claims	21,025	-	21,025	(121,653)	-	(121,653)
Re-takaful / reinsurance share of claims incurred but not reported	(32,759)	-	(32,759)	(33,430)	-	(33,430)
Re-takaful / reinsurance share of financial liabilities at FVSI	(14)	-	(14)	(8)	-	(8)
Deferred policy acquisition costs	(54,693)	-	(54,693)	(22,349)	-	(22,349)
Prepayments and other assets	15,438	(16,281)	(843)	(2,739)	7,810	5,071
Accrued income on statutory deposit	-	(1,400)	(1,400)	-	(1,399)	(1,399)
Payable to SAMA	-	1,399	1,399	-	1,399	1,399
Payable, accruals and other liabilities	98,860	(1,462)	97,398	(87,299)	(12,695)	(99,994)
Financial liabilities at FVSI	57,507	-	57,507	76,518	-	76,518
Re-takaful / reinsurance balances payable	132,307	-	132,307	2,088	-	2,088
Unearned contributions	435,317	-	435,317	(36,451)	-	(36,451)
Unearned re-takaful / reinsurance commission	8,323	-	8,323	5,555	-	5,555

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Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION (continued)

27.4 Statement of cash flows (continued)

	SAR '000					
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
	For the year ended December 31, 2022			For the year ended December 31, 2021		
Gross outstanding claims	(346,132)	-	(346,132)	162,753	-	162,753
Claims incurred but not reported	412,545	-	412,545	9,331	-	9,331
Contribution deficiency reserve	(11,714)	-	(11,714)	(10,651)	-	(10,651)
Deposit against letters of guarantee	(21,128)	-	(21,128)	(19,117)	-	(19,117)
	455,666	20,938	476,604	397,836	(182,335)	215,501
Management fee (paid) / received	(358,969)	358,969	-	(533,451)	533,451	-
Zakat paid	-	(11,666)	(11,666)	-	(20,721)	(20,721)
Takaful operations' surplus paid	(19,199)	-	(19,199)	(9,806)	-	(9,806)
End-of-service benefits paid	-	(4,592)	(4,592)	-	(7,473)	(7,473)
<b>Net cash generated from operating activities</b>	<b>77,498</b>	<b>363,649</b>	<b>441,147</b>	<b>(145,421)</b>	<b>322,922</b>	<b>177,501</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of investments mandatorily measured at FVSI	(1,696,311)	(469,500)	(2,165,811)	(1,546,008)	(807,162)	(2,353,170)
Disposals of investments mandatorily measured at FVSI	1,720,315	520,500	2,240,815	1,603,023	783,886	2,386,909
Purchase of investments designated as FVOCI	(68,453)	-	(68,453)	-	(65,023)	(65,023)
Disposals of investments designated as FVOCI	-	-	-	-	15,326	15,326
Purchase of investments held at amortised cost	(1,605,590)	(785,659)	(2,391,249)	(492,022)	(339,965)	(831,987)
Disposal of investments held at amortised cost	1,657,862	425,065	2,082,927	201,226	120,074	321,300
Additions in property and equipment	-	(28,877)	(28,877)	-	(32,556)	(32,556)
<b>Net cash (used in) investing activities</b>	<b>7,823</b>	<b>(338,471)</b>	<b>(330,648)</b>	<b>(233,781)</b>	<b>(325,420)</b>	<b>(559,201)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Lease liability paid	-	(12,002)	(12,002)	-	(12,315)	(12,315)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(12,002)</b>	<b>(12,002)</b>	<b>-</b>	<b>(12,315)</b>	<b>(12,315)</b>
Net change in cash and cash equivalents	85,321	13,176	98,497	(379,202)	(14,813)	(394,015)
Cash and cash equivalents, beginning of the year	431,362	22,735	454,097	810,564	37,548	848,112
<b>Cash and cash equivalents, end of the year</b>	<b>516,683</b>	<b>35,911</b>	<b>552,594</b>	<b>431,362</b>	<b>22,735</b>	<b>454,097</b>
<b>NON-CASH INFORMATION</b>						
Changes in fair value of investments designated as FVOCI	(21,942)	(51,869)	(73,811)	3,786	55,353	59,139
Remeasurement of end-of-service benefits (EOSB)	-	(1,904)	(1,904)	-	(425)	(425)
Right-of-use assets additions	-	4,103	4,103	-	21,976	21,976

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. These risks are an inevitable consequence of participating in financial markets. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Company reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

**28.1 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.

**28.1.1 Credit risk measurement**

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- a. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- b. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- c. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- d. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- e. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

*Significant increase in credit risk*

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

*Quantitative criteria:*

- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

*Qualitative criteria:*

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;
- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

*Definition of default and credit-impaired assets*

The Company defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

*Quantitative criteria:*

- Contractual payments are more than 90 days past due;
- Counterparty's refusal to pay the amounts due.

*Qualitative criteria:*

- Information about the bankruptcy of the counterparty;
- Legal case on recovery proceedings;

The criteria above have been applied to all financial assets other than contribution and re-takaful balances receivable held by the Company and are consistent with the definition of default used for internal risk management purposes. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. For impairment allowance on contribution and re-takaful balances receivable refer note 4.3 and note 6.

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT**

**28.1 Credit risk (continued)**

**28.1.1 Credit risk measurement (continued)**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company considers scenarios in range of 3-5 years horizon (consistent with forecast available from public sources) beyond which long term average macroeconomic conditions prevail. Externally available macroeconomic forecast from Global Rating Agencies and Saudi Arabian Monetary Authority (SAMA) are used for making base case forecast. For other scenarios, adjustment are made to base case forecast based on expert judgement. The Company uses multiple scenarios and probabilities are assigned to each scenario based on expert judgement.

Based on the detailed analysis of the Companies exposures to the credit risk, the management of the Company have opted to benefit from the practical expedient in calculating the expected credit losses provided by IFRS 9 for financial assets with low credit risk. The management of the Company measures impairment using 12-month expected credit losses for its financial assets subject to impairment. The low credit risk financial assets of the Company meet the following requirements of IFRS 9 to measure impairment using 12-

- Low credit risk of default;
- The counterparties have a strong capacity to meet their obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations.

The Company uses external credit risk ratings of well-known and reputable rating agencies to assess the probability of default of individual counterparties.

The Company does not recognise lifetime expected credit losses on a financial instrument simply because it was considered to have low credit risk in the previous reporting period and is not considered to have low credit risk at the reporting date. In such a case, the Company will determine whether there has been a significant increase in credit risk since initial recognition and thus whether lifetime expected credit losses are

*Measuring expected credit losses*

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the exposure.

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Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

28.1.1 Credit risk measurement (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the exposures. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

a) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below, also represents the Company's maximum exposure to credit risk on these assets.

i) TAKAFUL OPERATIONS

Financial statement line item	December 31, 2022				31-Dec-21
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Bank balances	578,001	-	-	578,001	471,552
Investments held at amortised cost	1,468,358	-	-	1,468,358	1,520,630
<b>Gross carrying amount</b>	<b>2,046,359</b>	<b>-</b>	<b>-</b>	<b>2,046,359</b>	<b>1,992,182</b>
Loss allowance	(1,172)	-	-	(1,172)	(907)
<b>Carrying amount</b>	<b>2,045,187</b>	<b>-</b>	<b>-</b>	<b>2,045,187</b>	<b>1,991,275</b>

Credit grade	December 31, 2022				31-Dec-21
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Investment grade	2,046,359	-	-	2,046,359	1,992,182
<b>Gross carrying amount</b>	<b>2,046,359</b>	<b>-</b>	<b>-</b>	<b>2,046,359</b>	<b>1,992,182</b>
Loss allowance	(1,172)	-	-	(1,172)	(907)
<b>Carrying amount</b>	<b>2,045,187</b>	<b>-</b>	<b>-</b>	<b>2,045,187</b>	<b>1,991,275</b>



**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.1 Credit risk (continued)**

**28.1.1 Credit risk measurement (continued)**

*a) Maximum exposure to credit risk – financial instruments subject to ECL (continued)*

**ii) SHAREHOLDERS' OPERATIONS**

Financial statement line item	December 31, 2022				31-Dec-21
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Bank balances	40,620	-	-	40,620	27,444
Investments held at amortised cost	730,560	-	-	730,560	369,966
Statutory deposit		-	-	-	40,000
<b>Gross carrying amount</b>	<b>771,180</b>	<b>-</b>	<b>-</b>	<b>771,180</b>	<b>437,410</b>
Loss allowance	(164)	-	-	(164)	(151)
<b>Carrying amount</b>	<b>771,016</b>	<b>-</b>	<b>-</b>	<b>771,016</b>	<b>437,259</b>

Credit grade	December 31, 2022				31-Dec-21
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Investment grade	771,180	-	-	771,180	437,410
<b>Gross carrying amount</b>	<b>771,180</b>	<b>-</b>	<b>-</b>	<b>771,180</b>	<b>437,410</b>
Loss allowance	(164)	-	-	(164)	(151)
<b>Carrying amount</b>	<b>771,016</b>	<b>-</b>	<b>-</b>	<b>771,016</b>	<b>437,259</b>

The Company's exposures to credit risk are not collateralised.

*b) Loss allowance*

The loss allowance recognised in the period may be impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.1 Credit risk (continued)**

**28.1.1 Credit risk measurement (continued)**

*b) Loss allowance (continued)*

**i) TAKAFUL OPERATIONS**

	<b>Stage 1</b> 12-month ECL SAR'000	<b>Stage 2</b> Lifetime ECL SAR'000	<b>Stage 3</b> Lifetime ECL SAR'000	<b>Total</b> SAR'000
<b>Loss allowance as at January 1, 2022</b>	<b>907</b>	-	-	<b>907</b>
<b>Movements with the statement of income</b>				
Transfers:				
New financial assets originated or purchased	<b>1,044</b>	-	-	<b>1,044</b>
Financial assets derecognised during the year	<b>(779)</b>	-	-	<b>(779)</b>
Write-offs	-	-	-	-
Total loss allowance for the year	<b>265</b>	-	-	<b>265</b>
<b>Loss allowance as at December 31, 2022</b>	<b>1,172</b>	-	-	<b>1,172</b>
	<b>Stage 1</b> 12-month ECL SAR'000	<b>Stage 2</b> Lifetime ECL SAR'000	<b>Stage 3</b> Lifetime ECL SAR'000	<b>Total</b> SAR'000
Loss allowance as at January 1, 2021	971	-	-	971
<b>Movements with the statement of income</b>				
Transfers:				
New financial assets originated or purchased	396	-	-	396
Financial assets derecognised during the year	(460)	-	-	(460)
Write-offs	-	-	-	-
Total loss allowance for the year	(64)	-	-	(64)
Loss allowance as at December 31, 2021	907	-	-	907

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.1 Credit risk (continued)**

**28.1.1 Credit risk measurement (continued)**

*b) Loss allowance (continued)*

**ii) SHAREHOLDERS' OPERATIONS**

	<b>Stage 1</b> 12-month ECL SAR'000	<b>Stage 2</b> Lifetime ECL SAR'000	<b>Stage 3</b> Lifetime ECL SAR'000	<b>Total</b> SAR'000
<b>Loss allowance as at January 1, 2022</b>	<b>151</b>	-	-	<b>151</b>
<b>Movements with the statement of income</b>				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	<b>90</b>	-	-	<b>90</b>
Financial assets derecognised during the year	<b>(77)</b>	-	-	<b>(77)</b>
Write-offs	-	-	-	-
Total reversal of loss allowance for the year	<b>13</b>	-	-	<b>13</b>
<b>Loss allowance as at December 31, 2022</b>	<b>164</b>	-	-	<b>164</b>
	<b>Stage 1</b> 12-month ECL SAR'000	<b>Stage 2</b> Lifetime ECL SAR'000	<b>Stage 3</b> Lifetime ECL SAR'000	<b>Total</b> SAR'000
<b>Loss allowance as at January 1, 2021</b>	<b>96</b>	-	-	<b>96</b>
<b>Movements with the statement of income</b>				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	490	-	-	490
Financial assets derecognised during the year	(435)	-	-	(435)
Write-offs	-	-	-	-
Total reversal of loss allowance for the year	<b>55</b>	-	-	<b>55</b>
<b>Loss allowance as at December 31, 2021</b>	<b>151</b>	-	-	<b>151</b>

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**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.2 Risk governance**

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board. The Company is exposed to takaful, re-takaful, commission rate, credit, liquidity and currency risks.

**28.3 Risk management structure**

A cohesive organizational 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 centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined organisational strategic 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 the management are summarised below:

**a) Takaful risk**

The risk under a takaful 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 takaful 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.

The variability of risks is improved by diversification of risk of loss to a large portfolio of takaful contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of re-takaful/ reinsurance arrangements.

A significant portion of re-takaful/ reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from re-takaful/ reinsurance are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the financial position as re-takaful/ reinsurance assets.

Although the Company has re-takaful/ reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to re-takaful/ reinsurance ceded, to the extent that any re-takaful/ reinsurance is unable to meet its obligations assumed under such re-takaful/ reinsurance arrangements.

The takaful claim liabilities mentioned in note 11.1 (a) are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical.

**Frequency and amounts of claims**

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property and fire and accident, motor, medical and marine risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.3 Risk management structure (continued)**

**a) Takaful risk (continued)**

**Property and Accident**

For property takaful contracts the main risks are fire and business interruption. In recent years the Company has only underwritten 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 reinsurance/ reinsurance cover for such damage to limit losses for any individual claim to SAR 500 thousand (2021: SAR 500 thousand).

**Motor**

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive policies for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has re-takaful cover for such damage to limit the losses for any individual claim to SAR 5,000 thousand (2021: SAR 5,000 thousand).

**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

**Marine**

For marine cargo takaful, 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 cargo class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has re-takaful cover to limit losses for any individual claim to SAR 500 thousand (2021: SAR 500 thousand).

**Sensitivity analysis**

The takaful claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claim ratio would impact income by approximately SAR 122 million (2021: SAR 113 million) annually in aggregate.

**b) Re-takaful risk**

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for re-takaful purposes. Such re-takaful 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. Motor policies are protected by an excess of loss treaty. Health policies have been reinsured on a quota share basis. Marine, engineering and other lines of business have been insured on a quota share, surplus and facultative basis.

To minimize its exposure to significant losses from re-takaful insolvencies, the Company evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of re-takaful.

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.3 Risk management structure (continued)**

**b) Re-takaful risk (continued)**

Re-takaful ceded contracts do not relieve the Company from its obligations to the policyholders and as a result, the Company remains liable for outstanding claims re-takaful to the extent that the re-takaful fails to meet the obligations under the reinsurance agreements. The credit exposure in respect of re-takaful share of outstanding claims is mainly concentrated in the Gulf Co-operative Council countries (the 'GCC') and Europe.

**c) 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, Company's foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal and therefore the financial instruments are not sensitive to currency fluctuations.

**d) Commission rate risk**

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the Company's income for one year. Based on the floating rate financial assets held at December 31, 2022 an increase or decrease of 50 basis points in commission rates would result in a change in the loss or gain for the year of SAR 3,975 thousand (2021: SAR 4,725 thousand)

**e) Market price risk**

Market price 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 commission 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 has investment in the units of commodity fund (classified as FVSI) managed by a related party. A 5% change in the net asset value of funds, with all other variables held constant, would impact the net income for the year by increase / decrease of SAR 1,704 thousand (2021: SAR 3,891 thousand) .

The Company has investment in the Saudi companies equities listed on Tadawul (Classified as FVOCI). A 5% change in the market value of these investments, with all other variables held constant, would impact the shareholders' equity by increase / decrease of SAR 19,600 thousand (2021: SAR 19,693 thousand).

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.3 Risk management structure**

**f) Credit risk**

The analysis of the credit ratings of the investment held at amortised cost is as follows:

	<b>December 31, 2022</b>	
	<b>Takaful operations SAR'000</b>	<b>Shareholders' operations SAR'000</b>
S & P equivalent (AAA)	-	585,524
S & P equivalent (A+)	22,495	-
S & P equivalent (A-)	-	-
S & P equivalent (BBB+)	1,444,817	144,900
	<b>1,467,312</b>	<b>730,424</b>

	<b>31-Dec-21</b>	
	<b>Takaful operations SAR'000</b>	<b>Shareholders' operations SAR'000</b>
S & P equivalent (AAA)	107,271	174,966
S & P equivalent (A+)	22,495	-
S & P equivalent (A-)	199,880	99,977
S & P equivalent (BBB+)	1,190,077	94,900
	<b>1,519,723</b>	<b>369,843</b>

**g) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. There is also a liquidity risk associated with the timing difference between gross cash out-flows and expected re-takaful recoveries.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet takaful obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Company's catastrophic excess-of-loss re-takaful/ reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

**Maturity profiles**

The table below summarises the maturity profile of the non-derivative financial assets and liabilities of the Company based on remaining expected obligations. For takaful contract liabilities and re-takaful/ reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities. Repayments that are subject to notice are treated as if notice were to be

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.3 Risk management structure (continued)**

**g) Liquidity risk (continued)**

**Maturity profiles (continued)**

	December 31, 2022 - SAR '000			December 31, 2021 - SAR '000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b><u>ASSETS, TAKAFUL OPERATIONS</u></b>						
Cash and cash equivalents	577,875	-	577,875	471,552	-	471,552
Contributions and re-takaful balances receivable - net	683,950	-	683,950	414,546	-	414,546
Re-takaful share of outstanding claims	186,097	-	186,097	207,122	-	207,122
Re-takaful / reinsurance share of outstanding claims IBNR	93,146	-	93,146	60,387	-	60,387
Re-takaful share of mathematical reserve at FVSI	45	-	45	31	-	31
Investments mandatorily measured at FVSI	422,591	-	422,591	96,937	334,184	431,121
Investments designated as FVOCI	-	80,404	80,404	-	33,893	33,893
Due (to)/ from shareholders' / takaful operations	(110,648)	-	(110,648)	(358,969)	-	(358,969)
Investments held at amortised cost	-	1,467,312	1,467,312	-	1,519,723	1,519,723
<b>TOTAL ASSETS</b>	<b>1,853,056</b>	<b>1,547,716</b>	<b>3,400,772</b>	<b>891,606</b>	<b>1,887,800</b>	<b>2,779,406</b>
	December 31, 2022 - SAR '000			December 31, 2021 - SAR '000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b><u>LIABILITIES, TAKAFUL OPERATIONS</u></b>						
Re-takaful balances payable	311,837	-	311,837	179,530	-	179,530
Gross outstanding claims	125,150	-	125,150	471,282	-	471,282
Payables, accruals and other liabilities	-	226,064	226,064	-	127,204	127,204
Claims incurred but not reported	1,294,170	-	1,294,170	881,625	-	881,625
Unit linked liabilities at FVSI	-	275,118	275,118	-	217,611	217,611
Takaful operations' surplus payable	37,318	-	37,318	48,628	-	48,628
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>1,768,475</b>	<b>501,182</b>	<b>2,269,657</b>	<b>1,581,065</b>	<b>344,815</b>	<b>1,925,880</b>



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**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.3 Risk management structure (continued)**

**g) Liquidity risk (continued)**

**Maturity profiles (continued)**

	December 31, 2022 - SAR '000			December 31, 2021 - SAR '000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b><u>ASSETS, SHAREHOLDERS' OPERATIONS</u></b>						
Cash and cash equivalents	40,620	-	40,620	27,444	-	27,444
Investments mandatorily measured at FVSI	45,163	-	45,163	50,620	45,163	95,783
Investments designated as FVOCI	349,522	-	349,522	401,391	-	401,391
Due (to)/ from shareholders'/ takaful operations	110,648	-	110,648	358,969	-	358,969
Investments held at amortised cost	-	730,424	730,424	369,843	-	369,843
Statutory deposit	39,971	-	39,971	-	39,971	39,971
Accrued income on statutory deposit	5,026	-	5,026	3,626	-	3,626
<b>TOTAL ASSETS</b>	<b>590,950</b>	<b>730,424</b>	<b>1,321,374</b>	<b>1,211,893</b>	<b>85,134</b>	<b>1,297,027</b>
	December 31, 2022 - SAR '000			December 31, 2021 - SAR '000		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
<b><u>LIABILITIES, SHAREHOLDERS' OPERATIONS</u></b>						
Payables to SAMA	-	5,026	5,026	-	3,626	3,626
End-of-service benefits (EOSB)	-	22,812	22,812	-	24,635	24,635
Lease obligations	-	49,222	49,222	-	54,482	54,482
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>-</b>	<b>77,060</b>	<b>77,060</b>	<b>-</b>	<b>82,743</b>	<b>82,743</b>

**Liquidity profile**

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations, including contribution receivable. For takaful contract liabilities and assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Unearned contributions, re-takaful share of unearned contributions, deferred policy acquisition costs and unearned re-takaful commission income 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 and such amounts are classified as due within one year.

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.3 Risk management structure (continued)**

**g) Liquidity risk (continued)**

**Liquidity profile (continued)**

	December 31, 2022 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
<b><u>ASSETS, TAKAFUL OPERATIONS</u></b>				
Cash and cash equivalents	577,875	-	-	577,875
Contributions and re-takaful/ reinsurance balances receivable - net	683,950	-	-	683,950
Re-takaful/ reinsurance share of outstanding claims	186,097	-	-	186,097
Re-takaful share of mathematical reserve at FVSI	45	-	-	45
Investments mandatorily measured at FVSI	422,591	-	-	422,591
Investments designated as FVOCI	-	-	80,404	80,404
Due (to)/ from shareholders'/ takaful operations	(110,648)	-	-	(110,648)
Investments held at amortised cost	-	1,467,312	-	1,467,312
<b>TOTAL ASSETS</b>	<b>1,759,910</b>	<b>1,467,312</b>	<b>80,404</b>	<b>3,307,626</b>

	December 31, 2022 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
<b><u>LIABILITIES, TAKAFUL OPERATIONS</u></b>				
Re-takaful / reinsurance balances payable	311,837	-	-	311,837
Gross outstanding claims	125,150	-	-	125,150
Claims incurred but not reported	1,294,170	-	-	1,294,170
Unit linked liabilities at FVSI	-	-	275,118	275,118
Takaful operations' surplus payable	37,318	-	-	37,318
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>1,768,475</b>	<b>-</b>	<b>275,118</b>	<b>2,043,593</b>

**Notes to the financial statements (continued)**

**28. FINANCIAL RISK MANAGEMENT (continued)**

**28.3 Risk management structure (continued)**

**g) Liquidity risk (continued)**

**Liquidity profile (continued)**

**ASSETS, SHAREHOLDERS' OPERATIONS**

	December 31, 2022 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
Cash and cash equivalents	40,620	-	-	40,620
Investments mandatorily measured at FVSI	45,163	-	-	45,163
Investments designated as FVOCI	-	-	349,522	349,522
Due (to) / from shareholders' / takaful operations	110,648	-	-	110,648
Investments held at amortised cost	-	730,424	-	730,424
Statutory deposit	-	-	-	-
Accrued income on statutory deposit	5,026	-	-	5,026
<b>TOTAL ASSETS</b>	<b>201,457</b>	<b>730,424</b>	<b>349,522</b>	<b>1,281,403</b>

**LIABILITIES, SHAREHOLDERS' OPERATIONS**

	December 31, 2022 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
Payables to SAMA	-	5,026	-	5,026
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>-</b>	<b>5,026</b>	<b>-</b>	<b>5,026</b>

**Notes to the financial statements (continued)**

**29. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified and regrouped to conform with the current year's presentation to these financials statements, if necessary.

**30. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors of the Company, on Sha'ban 8, 1444, corresponding February 28, 2023.

**Dear Esteemed Shareholders of Al-Rajhi Company for Cooperative Insurance (Al Rajhi Takaful)**

**Greeting,**

**Subject: Board of Directors' Declaration of Transactions with Related Parties for the Year Ended December 31, 2022**

With reference to the requirements of Article (71) of the Companies Law promulgated by Royal Decree No. M / 132 of 1443 AH, which stipulates that the board member shall, as soon as he becomes aware of any direct or indirect interest he may have in the business transactions and contracts made for the benefit of the company, notify the board of the same. Such notification shall be recorded in the minutes of the Board meeting when it convenes. Such a member may not take part in voting on the resolution to be issued in this regard by the Board and the General Assembly. In addition, the Board shall inform the General Assembly, when it convenes, of the business transactions and contracts in which the board member has a direct or indirect interest. Such notification shall be accompanied by a special report to be drawn up by the company's auditor in accordance with the auditing standards applicable in the Kingdom, and in accordance with the Related Party Transactions and Dealing with Conflicts of Interest Policy of the company, we would like to inform you that the company has implemented a number of transactions and contracts related to the insurance activities which some members of the Board of Directors of Al Rajhi Takaful have a direct or indirect interest, and the company is seeking to obtain an authorization from the shareholders thereof.

A list of business and commercial contracts related to the activities of the company in which some members of the Board of Directors of Al Rajhi Takaful have a direct or indirect interest in them is shown below:

#	Related party	Associated party with related party	Position at the company	Type of association with related party	Service	Period	Terms & conditions	Amount for 2022 in SAR
1	Al Rajhi Bank	Abdullah Al Rajhi	Chairman	Chairman	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	718,691
		Waleed Al Muqbil	Board Member	Managing Director and Chief Executive Officer of Al Rajhi Bank				
		Saud Al Rajhi	Vice Chairman	First Degree Relationship				
		Naif Al Rajhi	Board Member	First Degree Relationship				

#	Related party	Associated party with related party	Position at the company	Type of association with related party	Service	Period	Terms & conditions	Amount for 2022 in SAR
2	Al Rajhi Capital	Abdullah Al Rajhi	Chairman	Chairman	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	1,544
		Waleed Al Muqbil	Board Member	A company owned by Al-Rajhi Bank, of which he is Managing Director and Chief Executive Officer of Al Rajhi Bank				
		Saud Al Rajhi	Vice Chairman	First Degree Relationship				
		Naif Al Rajhi	Board Member	First Degree Relationship				
3	Al Rajhi Capital	Abdullah Al Rajhi	Chairman	Chairman	Investment funds Revenues	One calendar Year	Ordinary business without any preferential conditions or benefits	10,082
		Waleed Al Muqbil	Board Member	A company owned by Al-Rajhi Bank, of which he is Managing Director and Chief Executive Officer of Al Rajhi Bank	Paid investment management fee			2,694
		Saud Al Rajhi	Vice Chairman	First Degree Relationship				
		Naif Al Rajhi	Board Member	First Degree Relationship				
4	Fusran Travel	Abdullah Al Rajhi	Chairman	Partner	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	1,671
		Saud Al Rajhi	Vice Chairman	Partner				
		Naif Al Rajhi	Board Member	Chief Executive Officer				
5	Fusran Travel	Abdullah Al Rajhi	Chairman	Partner	Travel costs of the Company's staff	One calendar Year	Ordinary business without any preferential conditions or benefits	1,592
		Saud Al Rajhi	Vice Chairman	Partner				
		Naif Al Rajhi	Board Member	Chief Executive Officer				

#	Related party	Associated party with related party	Position at the company	Type of association with related party	Service	Period	Terms & conditions	Amount for 2022 in SAR
6	<b>Farabi Petrochemicals</b>	Abdullah Al Rajhi	Chairman	Chairman	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	19,306
		Saud Al Rajhi	Vice Chairman	First Degree Relationship				
		Naif Al Rajhi	Board Member	Board Member				
7	<b>Marami Food Industries</b>	Abdullah Al Rajhi	Chairman	Partner	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	208
		Saud Al Rajhi	Vice Chairman	First Degree Relationship				
		Naif Al Rajhi	Board Member	Board Member				
8	<b>Takatuff Holding Group</b>	Abdullah Al Rajhi	Chairman	Partner	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	81
		Saud Al Rajhi	Vice Chairman	Partner				
		Naif Al Rajhi	Board Member	Board Member				
9	<b>Green Hills Real Estate Development Company</b>	Abdullah Al Rajhi	Chairman	First Degree Relationship	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	39
		Saud Al Rajhi	Vice Chairman	Manager				
		Naif Al Rajhi	Board Member	Manager				
10	<b>Homeland Legacy Real Estate Development Company</b>	Abdullah Al Rajhi	Chairman	Manager	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	370
		Saud Al Rajhi	Vice Chairman	Manager				
		Naif Al Rajhi	Board Member	First Degree Relationship				

#	Related party	Associated party with related party	Position at the company	Type of association with related party	Service	Period	Terms & conditions	Amount for 2022 in SAR
11	<b>Jeddah Legacy Real Estate Development Company</b>	Abdullah Al Rajhi	Chairman	First Degree Relationship	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	1
		Saud Al Rajhi	Vice Chairman	Manager				
		Naif Al Rajhi	Board Member	First Degree Relationship				
12	<b>Digital Trip</b>	Abdullah Al Rajhi	Chairman	Partner	Written Contribution	One calendar Year	Ordinary business without any preferential conditions or benefits	98
		Saud Al Rajhi	Vice Chairman	First Degree Relationship				
		Naif Al Rajhi	Board Member	General Manager				

In addition, that in the year 2022 there are no other transactions in which the company was part of and in which there is any personal interest for the members of the Board of Directors.

<b>Ahmed Samer Al Zaeem</b> Board Member	<b>Moayad Mohammed Al Hodaithy</b> Secretary of the Board of Directors
<b>Muhannad Kusai Alazzawi</b> Board Member	<b>Nabil Ali Shoaib</b> Board Member
<b>Naif Abdullah Al Rajhi</b> Board Member	<b>Ali Hadi Al Mansour</b> Board Member
<b>Waleed Abdullah Al Mogbel</b> Board Member	<b>Saud Abdullah Al Rajhi</b> Vice Chairman
<b>Abdullah Sulaiman Al Rajhi</b> (Chairman)	



**Limited Assurance Independent Auditor's Report**  
**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE**

**TO: THE SHAREHOLDERS**

Based on the intimation received from the Chairman of the board of director of **Al Rajhi Company for Cooperative Insurance**, we have undertaken a limited assurance engagement to indicate whether anything has come to our attention that causes us to believe that the report detailed in the subject matter paragraph-mentioned below (the "Subject matter") has not been reported and presented fairly, in all material respects, in accordance with the applicable criteria ("Criteria") mentioned below.

**Subject matter**

The subject matter relevant for the Limited Assurance engagement is the report of the Chairman of the Board of Directors on transactions with related parties submitted to the Ordinary General Assembly to report on activities and contracts carried out by the Company in which the members of Board of Directors of the Company that have direct or indirect interest.

**Criteria:**

1. Article (24) of the Company's by-laws.
2. Article (71) of the Companies' Law endorsed in Kingdom of Saudi Arabia.

**Management responsibility**

Management of the Company is responsible for the preparation and fair presentation of the information contained in the subject matter in accordance with the criteria. Management of the Company is also responsible for choosing the methods of applying those criteria. The Company's management is also responsible for establishing and maintaining adequate internal controls for the preparation and presentation of the Subject matter without material misstatements, whether due to fraud or error, as well as for selecting and applying appropriate standards, maintaining adequate records and making reasonable estimates according to the circumstances.

**Our responsibility**

Our responsibility is to express a limited assurance conclusion on the above Subject matter in accordance with the International Standard for Assurance Engagements (3000) "Assurance engagements other than audits or reviews of historical financial information" as adopted in the Kingdom of Saudi Arabia, and the terms and conditions related to this engagement that has been agreed upon with the management of the Company.

Our procedures are designed to obtain a limited level of assurance sufficient to provide a basis for expressing our conclusion, and accordingly, we have not obtained all the evidence required to perform the audit or review in accordance with the International Standards for Auditing or the International Standards for Review Engagements approved in the Kingdom of Saudi Arabia. The procedures implemented depend on our professional judgment, including the risk of material misstatement of the matter, whether due to fraud or error. We also took into account the effectiveness of internal control systems when determining the nature and extent of our procedures, and our engagement was not designed to provide assurance about the effectiveness of those systems.



### Limited Assurance Report (continued)

#### **Our Independence and Quality Control**

We have complied to the independence and other requirements of the Code of Professional Conduct and Ethics for Accountants issued by the board of International Code of Ethics for Professional Accountants, which is based on the basic principles of integrity, objectivity, professionalism, due diligence, confidentiality and professional conduct. We are also independent of the Company according to the relevant code of conduct and ethics in the Kingdom of Saudi Arabia.

The firm applies International Standard on Quality Management 1 ("ISQM 1"), as endorsed in the Kingdom of Saudi Arabia, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Summary of work performed:**

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Our procedures include, but were not limited to the following:

- Matching the business disclosed in the report of the chairman of the board of directors about the transactions with related parties that have a direct or indirect personal interest for the members of the board of directors with the accounting records and transaction records.
- Ensure that the same is disclosed in the minutes of the meeting.

#### **Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that report described in the subject matter paragraph is not prepared, and presented fairly, in all material respects, in accordance with the applicable criteria.

#### **Restrictions on the use of our report**

Our report was prepared upon the request of the Company's management to fulfill the requirements of the relevant regulations in relation to the activities and contracts that the Company carried out during the fiscal year ended December 31, 2022, in which the members of the Board of Directors had a personal interest, directly or indirectly. The report must not be used for any other purpose or distributed to any other parties.

**AlAzem, AlSudairy, AlShaikh & Partners**  
**For Professional Consulting**



**Abdullah M. Al Azem**  
**License No. 335**

10 Shawwal 1444H (30 April 2023)  
Riyadh, Kingdom of Saudi Arabia





## The Audit Committee Report for the General Assembly of the company for the fiscal year 2022

The Audit Committee performs its duties in accordance with its approved regulations and in accordance with the relevant regulatory requirements. This includes studying the preliminary and annual financial statements and recommending them, studying the results of evaluating the internal control systems, discussing and approving the Internal Audit Department Annual Plan and studying its reports, as well as reviewing and discussing the work of the Company's external auditors and recommending their appointment.

The committee performs its work in light of studying periodic reports from the Executive Management and the Internal Audit Department related to evaluating the effectiveness of internal control systems and ways to enhance them.

On the other hand, the Audit Committee studies periodic compliance reports, which ensure compliance with the relevant laws, regulations, and instructions.

The Committee submits its recommendations to The Board of Directors in accordance with the rules regulating its work. It also receives support and empowerment from The Board of Directors to carry out its tasks and duties.

Based on the periodic reports presented to the Audit Committee during the fiscal year ending on 31 December 2022 by the Company's Executive Management, and the reports of Internal Audit Department, Compliance Department, and the External Auditors, the Audit Committee did not find any material gaps in the internal control system, which may adversely and materially affect the integrity and fairness of the financial statements or the integrity and effectiveness of internal control systems, risk management, financial and operational controls and procedures. Bearing in mind that any internal control system, regardless of its level of complexity and effectiveness, cannot provide absolute assurance.

In our opinion and based on what was mentioned above, the Company's Executive Management has maintained an effective system of internal control that provides reasonable assurances, and the results of auditing as well as the Committee's discussions during the meetings provided a reasonable basis for this opinion.

Chairman Nabeel Ali Shoaib	Member Fahad Mohammad Al-Fawaz	Member Mohammad Ali Al-Mubarak
Signature: 	Signature: 	Signature: 



شركة مساهمة "عامة" خاضعة لإشراف ورقابة البنك المركزي السعودي برأس مال: ٤٠٠,٠٠٠,٠٠٠ ريال سعودي  
المكتب الرئيسي: حي الربيع - طريق التمامة ٣٤٨٥، رقم الوحدة: ٢٥، الرياض ١٣٣١٦ - ٨٤٥٠، المملكة العربية السعودية، هاتف: ٩٢٠٠٠٤٤١٤

A "public" joint stock company, Under Saudi Central Bank Supervision and control, Capital: SAR 400,000,000  
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