

**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

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

**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

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

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**Crowe**

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



**MOORE**

El Sayed El Ayouty & Co.  
Certified Public Accountants  
Member Moore Global

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Walaa Cooperative Insurance Company  
(A Saudi Joint Stock Company)

### **Opinion**

We have audited the financial statements of **Walaa Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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 the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)**

**Key Audit Matters (continued)**

The key audit matters	How the matter was addressed in our audit
<p><b><u>Business combination</u></b></p> <p><b><i>Merger accounting</i></b>            During the year ended December 31, 2022, the shareholders of the Company, in the EGM held on September 15, 2022 corresponding to 19 Safar 1444H approved the proposed merger of the Company and SAAB Takaful Company, through the issuance of 0.60054766176470590 new shares in the Company for each share in SAAB Takaful Company in accordance with terms and conditions of the Merger Agreement. Further to the receipt of regulatory approvals, on October 18, 2022, the Company completed a statutory merger with SAAB Takaful Company. On this date, the net assets and business activities of SAAB Takaful Company were transferred to the Company in exchange for newly issued shares of the Company. Walaa completed the merger with SAAB Takaful Company for a total purchase consideration of SAR 294.028. This transaction has been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method.</p> <p>During the year, the Company also completed a comprehensive purchase price allocation ("PPA") exercise, for which management engaged an independent third party, and finalized the fair valuation adjustments to the assets acquired and liabilities assumed. As a result, the Company recognized intangible assets of SAR 53.38 million and bargain purchase of SAR 49.68 million as part of the PPA exercise.</p> <p>PPA requires significant management judgments in determining the fair values of assets acquired and liabilities assumed, including intangible assets which are inherently judgmental due to the specialised nature of most intangible assets and the subjectivity of the assumptions used to appropriately value them.</p> <p>We consider this area as a key audit matter because of:</p> <ul style="list-style-type: none"> <li>- the scale of the merger transaction and the PPA exercise conducted;</li> <li>- the subjectivity and judgment inherent in determining the fair values of the assets acquired (including intangible assets) and the liabilities assumed; and</li> <li>- the accuracy and completeness of the data used to calculate the components of the PPA; and the related financial statement disclosures.</li> </ul> <p><i>For business combination and intangibles refer to notes 4, 5 which contain the disclosure of purchase consideration, valuation approach and methodologies for other intangibles, identifiable assets acquired and liabilities assumed and purchase price allocation.</i></p>	<p>We have reviewed the key terms in the merger agreement, the relevant board minutes and the required regulatory approvals to obtain understanding of the business combination transaction;</p> <p>We involved our specialists and assessed the reasonableness of the calculations and the underlying assumptions, including cash flow projections and discount rates used.</p> <p>We evaluated the identification and valuation of intangible assets based on our understanding of the business of the acquired entity "SABB Takaful", and involved our valuation specialists in discussions with the management to challenge the identification and valuation results and underlying assumptions as determined by the management and the Company's external expert's;</p> <p>We reviewed and challenged the appropriateness of the useful lives assigned to the identified intangible assets.</p> <p>We assessed the adequacy and completeness of the disclosures to the financial statements against the relevant IFRS disclosure requirements.</p> <p>We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity.</p>

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)**

**Key Audit Matters (continued)**

<b>The key audit matters</b>	<b>How the matter was addressed in our audit</b>
<p><b>Valuation of technical reserves</b></p> <p>The Company as at December 31, 2022 has gross technical reserves amounting to SR 878.86 million as reported in Note 11 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), additional premium and other technical reserves.</p> <p>The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements.</p> <p>The valuation of technical reserves is a key judgmental area for the management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain.</p> <p>Due to the significance of the amounts involved and the exercise of significant judgment by the management in the process for determination of the technical reserves, we have determined it to be a key audit matter.</p> <p><i>Refer to notes 2(d)(i) which discloses the estimated liability arising from claims under insurance contracts and note 3(v) which discloses accounting policies for claims.</i></p>	<p>We evaluated the design and tested the implementation of key controls over the Company's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded.</p> <p>We evaluated the appropriateness of the reserving methodologies used in estimating the insurance claim liability as part of our substantive procedures.</p> <p>We performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claims and technical reserves.</p> <p>To challenge management's methodologies and assumptions, we were assisted 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:</p> <ul style="list-style-type: none"> <li>- Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences.</li> <li>- Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge.</li> <li>- Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.</li> </ul> <p>We also assessed the appropriateness of the financial statements disclosures relating to this matter against the requirements of IFRS.</p>

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)**

### **Other Information**

The Board of Directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) that are 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;
- 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;

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)**

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

**Al Azem & Al Sudairy, Al Shaikh & Partners**  
**Certified Public Accountants**  
P. O. Box 10504  
Riyadh 11443  
Kingdom of Saudi Arabia



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Certified Public Accountant  
Registration No. 335



**El Sayed El Ayouty & Co.**  
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P. O. Box 780  
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**Abdullah Ahmed Balamesh**  
Certified Public Accountant  
License No. 345

Ramadan 07, 1444  
March 29, 2023



**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022**

	Notes	2022	2021
		SAR'000	
<b>ASSETS</b>			
Cash and cash equivalents	9	534,221	325,055
Short term deposits	9	355,000	201,659
Long term deposits		50,000	100,000
Premiums and reinsurers' receivable – net	10	727,862	582,129
Reinsurers' share of unearned premiums	11.2	616,806	538,598
Reinsurers' share of outstanding claims	11.1	291,813	338,919
Reinsurers' share of claims incurred but not reported	11.1	180,995	149,655
Reinsurers' share of mathematical reserves		89,123	123,696
Deferred policy acquisition costs	11.3	51,236	36,476
Investments	8	910,202	773,236
Unit Linked investments		483,741	-
Due from shareholders' operations		10,827	4,437
Prepaid expenses and other assets		311,797	97,401
Property and equipment, net	6	32,061	30,969
Intangible assets	5 & 7	92,857	37,713
Goodwill	4 & 5	24,415	24,415
Statutory deposit		85,058	64,640
Accrued income on statutory deposit		17,246	10,764
Accrued commission income	9	17,168	7,419
<b>TOTAL ASSETS</b>		<b>4,882,428</b>	<b>3,447,181</b>



Chief Financial Officer



Chief Executive Officer



Board Member

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



**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT DECEMBER 31, 2022**

	Notes	2022	2021
SAR'000			
<b>LIABILITIES</b>			
Policyholders claims payable		270,519	47,658
Accrued and other liabilities	13	309,693	190,702
Reinsurers' balances payable		452,929	335,026
Unearned premiums	11.2	1,182,003	1,074,103
Unearned reinsurance commission	11.3	46,085	31,258
Outstanding claims	11.1	546,399	480,616
Claims incurred but not reported	11.1	317,579	266,202
Gross mathematical reserves		89,795	123,696
Additional premium reserves	11.1	7,763	9,054
Other technical reserves	11.1	7,120	7,701
Unit-linked reserves		483,741	-
Due to insurance operations		10,827	4,437
End-of-service indemnities	15	26,948	21,982
Zakat and income tax	20	45,231	31,208
Accrued commission income payable to SAMA		17,246	10,764
Surplus distribution payable	14	9,100	2,148
<b>TOTAL LIABILITIES</b>		<b>3,822,978</b>	<b>2,636,555</b>
<b>EQUITY</b>			
Share capital	21	850,583	646,397
Share premium	21	193,119	103,277
Statutory reserve		63,327	63,327
Accumulated losses		(68,114)	(40,750)
Fair value reserve on investments - available-for-sale	8	20,398	38,522
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,059,313</b>	<b>810,773</b>
Re-measurement reserve for end-of-service indemnities – related to insurance operations	15	137	(147)
<b>TOTAL EQUITY</b>		<b>1,059,450</b>	<b>810,626</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,882,428</b>	<b>3,447,181</b>
Commitments and contingencies	12		



Chief Financial Officer



Chief Executive Officer



Board Member

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


**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Notes	2022	2021
SAR'000			
<b>REVENUES</b>			
Gross premiums written			
- Direct		2,536,611	2,233,486
- Reinsurance		105,321	105,348
	11.2	2,641,932	2,338,834
Reinsurance premiums ceded			
- Local ceded		(24,402)	(16,519)
- Foreign ceded		(1,281,520)	(1,166,610)
	11.2	(1,305,922)	(1,183,129)
Excess of loss expenses	11.2	(8,584)	(5,144)
<b>Net premiums written</b>		<b>1,327,426</b>	<b>1,150,561</b>
Changes in unearned premiums	11.2	(85,518)	(284,139)
Changes in reinsurers' share of unearned premiums	11.2	61,442	175,108
<b>Net premiums earned</b>		<b>1,303,350</b>	<b>1,041,530</b>
Reinsurance commissions	11.3	79,052	76,162
Other underwriting income		41,526	3,634
<b>TOTAL REVENUES</b>		<b>1,423,928</b>	<b>1,121,326</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>			
Gross claims paid		1,277,071	1,005,078
Surrenders and maturities		43,658	17,447
Expenses incurred related to claims		41,320	20,175
Reinsurers' share of claims paid		(299,094)	(147,905)
<b>Net claims and other benefits paid</b>		<b>1,062,955</b>	<b>894,795</b>
Changes in outstanding claims	11.1	(25,020)	247,118
Changes in reinsurance share of outstanding claims	11.1	114,722	(176,028)
Changes in claims incurred but not reported	11.1	1,240	95,225
Changes in reinsurance share of claims incurred but not reported	11.1	7,728	(91,955)
<b>Net claims and other benefits incurred</b>		<b>1,161,625</b>	<b>969,155</b>
Additional premium reserves	11.1	(1,336)	(16,956)
Other technical reserves	11.1	(1,298)	(941)
Change in mathematical reserves, net		672	-
Changes in unit-linked reserves		(14,899)	-
Policy acquisition costs	11.3	87,401	60,119
Other underwriting expenses		132,353	105,962
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>1,364,518</b>	<b>1,117,339</b>
<b>NET UNDERWRITING INCOME</b>		<b>59,410</b>	<b>3,987</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Board Member

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


**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF INCOME (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Notes	2022	2021
		SAR'000	
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>			
Allowance for doubtful debts	10	(5,033)	(17,198)
General and administrative expenses	26	(177,265)	(150,898)
Commission income	27 & 9	23,995	23,812
Dividend income on investments	27 & 8	12,308	9,601
Impairment on available for sale investments	27 & 8	(800)	(6,765)
Realized gain on available for sale investments	27 & 8	30,564	15,074
Realized gain on held for trading investments	27 & 8	6,878	8,018
Unrealized gain / (loss) on held for trading investments	27 & 8	(2,567)	1,572
Change in Fair Value of PH Unit-linked investments	29	(12,892)	-
Bargain Purchase Gain	4	49,677	-
<b>TOTAL OTHER OPERATING EXPENSES</b>		<b>(75,135)</b>	<b>(116,784)</b>
<b>Total loss for the year before zakat &amp; income tax and surplus attribution</b>		<b>(15,725)</b>	<b>(112,797)</b>
Zakat	20	(11,153)	(9,257)
Income tax	20	(486)	-
<b>Net LOSS FOR THE YEAR</b>		<b>(27,364)</b>	<b>(122,054)</b>
<b>Net income attributed to the insurance operations</b>	29	-	-
<b>Net loss attributable to the shareholders</b>		<b>(27,364)</b>	<b>(122,054)</b>
<b>Loss per share (expressed in SAR per share)</b>			
Basic and diluted loss per share	23	(0.40)	(1.89)
<b>Weighted average number of ordinary outstanding shares (in 'thousands)</b>		<b>68,779</b>	<b>64,640</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Board Member

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


**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Notes	2022	2021
		SAR'000	
Total loss for the year		(27,364)	(122,054)
<b><u>Other comprehensive income / (loss)</u></b>			
<i>Items that will not be reclassified to statement of income in subsequent years</i>			
Actuarial gain for end-of-service indemnities	15	284	913
<i>Items that are or may be reclassified to statements of income in subsequent years</i>			
Available for sale investments:			
- Net change in fair value	8	12,440	31,607
- Net amounts transferred to statement of income	27	(30,564)	(15,074)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(45,204)</b>	<b>(104,608)</b>
<b>Net comprehensive income attributed to the insurance operations</b>		<b>(284)</b>	<b>(913)</b>
<b>Net comprehensive loss for the year attributable to the shareholders</b>		<b>(45,488)</b>	<b>(105,521)</b>

  
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Chief Financial Officer

  
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Chief Executive Officer

  
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Board Member

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

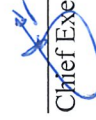
**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

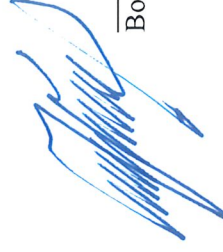
Notes	Related to shareholders						Re-measurement reserve for end-of-service indemnities	Total shareholders' equity
	Share capital	Share premium	Statutory reserve	Accumulated losses	Fair value reserve on investments	Total		
	SAR '000							
January 1, 2022	646,397	103,277	63,327	(40,750)	38,522	810,773	(147)	810,626
<b>Total comprehensive (loss)/ income for the year</b>								
Unrealized fair value changes on available-for-sale investments	-	-	-	-	12,440	12,440	-	12,440
Transfer to statement of income	-	-	-	-	(30,564)	(30,564)	-	(30,564)
Actuarial gain for end-of-service indemnities - related to insurance operations	-	-	-	-	-	-	284	284
Net loss for the year attributable to shareholders	-	-	-	(27,364)	-	(27,364)	-	(27,364)
<b>Total comprehensive (loss)/ income for the year attributable to shareholders</b>	<b>204,186</b>	<b>-</b>	<b>-</b>	<b>(27,364)</b>	<b>(18,124)</b>	<b>(45,488)</b>	<b>284</b>	<b>(45,204)</b>
Issuance of share capital	-	89,842	-	-	-	204,186	-	204,186
Share premium	-	-	-	-	-	89,842	-	89,842
<b>December 31, 2022</b>	<b>850,583</b>	<b>193,119</b>	<b>63,327</b>	<b>(68,114)</b>	<b>20,398</b>	<b>1,059,313</b>	<b>137</b>	<b>1,059,450</b>



Chief Financial Officer



Chief Executive Officer



Board Member

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

WALAA COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

Notes	Related to shareholders						Re-measurement reserve for end-of-service indemnities	Total shareholders' equity	Total equity
	Share capital	Share premium	Statutory reserve	Accumulated earnings/losses	Fair value reserve on investments	Total			
	646,397	103,277	63,327	81,304	21,989	916,294	(1,060)	915,234	
8	-	-	-	-	31,607	31,607	-	31,607	
	-	-	-	-	(15,074)	(15,074)	-	(15,074)	
15	-	-	-	(122,054)	-	(122,054)	913	913	
	-	-	-	(122,054)	16,533	(105,521)	913	(104,608)	
<b>December 31, 2021</b>	<b>646,397</b>	<b>103,277</b>	<b>63,327</b>	<b>(40,750)</b>	<b>38,522</b>	<b>810,773</b>	<b>(147)</b>	<b>810,626</b>	

January 1, 2021

Total comprehensive (loss)/ income for the year

Unrealized fair value changes on available-for-sale investments

Transfer to statement of income

Actuarial gain for end-of-service indemnities - related to insurance operations

Net loss for the year attributable to shareholders

Total comprehensive (loss)/ income for the year attributable to shareholders

December 31, 2021



Chief Financial Officer



Chief Executive Officer



Board Member


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

**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Notes	2022	2021
		SAR'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before zakat and income tax		(15,725)	(112,797)
<b>Adjustments for non-cash items:</b>			
Depreciation of property and equipment	6	6,611	8,676
Amortization of intangible assets	7	3,010	1,904
Allowance for doubtful debts	10	5,033	17,198
Dividend income		(12,308)	(9,601)
Gain on disposal of available for sale investments		(30,564)	(15,074)
Gain on disposal of held for trading investments		(6,878)	(8,018)
Commission income on deposits		(23,995)	(23,812)
Amortization of held to maturity investments		22	258
Unrealized loss on held for trading investments		2,567	(1,572)
Provision for end-of-service indemnities	15	4,134	3,728
Finance cost		694	76
Impairment on available for sale investments	8(i)	800	6,765
Exchange differences on investments	8(i)	6,453	-
Bargain purchase gain		(49,677)	-
<b>Changes in operating assets and liabilities:</b>			
Premiums and reinsurers' receivable		(55,703)	(269,022)
Reinsurers' share of unearned premiums		(61,442)	(175,108)
Reinsurers' share of outstanding claims		114,722	(176,028)
Reinsurers' share of claims incurred but not reported		7,728	(91,955)
Reinsurers' share of mathematical reserves		34,573	15,263
Deferred policy acquisition costs		(12,772)	(11,121)
Prepaid expenses and other assets		(209,200)	(7,158)
Policyholders claims payable		222,861	12,864
Accrued and other liabilities		88,641	37,113
Reinsurers' balances payable		26,469	102,212
Unearned premiums		85,518	284,139
Unearned reinsurance commission		11,232	10,786
Outstanding claims		(25,020)	247,118
Claims incurred but not reported		1,240	95,225
Gross mathematical reserves		(33,901)	(15,263)
Additional premium reserves		(1,336)	(16,956)
Other technical reserves		(1,298)	(941)
Surplus Distribution Payable		(1,283)	-
		81,206	(91,101)
End-of-service indemnities paid	15	(2,476)	(2,557)
Zakat and income tax paid	20	(3,338)	(6,913)
<b>Net cash generated from/ (used in) operating activities</b>		<b>75,392</b>	<b>(100,571)</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Board Member

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

**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		2022	2021
		SAR'000	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of available for sale investments	8(i)	(59,896)	(178,048)
Disposals of available for sale investments	8(i)	126,924	119,726
Movement in held for trading Investments, net	8(ii)	10,754	(76,778)
Purchase of investments held at amortized cost	8(iii)	(102,318)	(88,172)
Additions in intangible assets	7	(2,491)	(4,077)
Commission income received on investments		15,897	20,275
Dividend received on investments		12,308	9,601
Disposals of short term deposits		31,712	15,615
Disposals/ (additions) in long term deposits		50,000	(50,000)
Additions in property and equipment	6	(4,807)	(26,479)
Cash and cash equivalents acquired through business combination	4	45,373	-
<b>Net cash generated from/ (used in) investing activities</b>		<b>123,456</b>	<b>(258,337)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Statutory deposits		13,582	-
Lease liability paid		(3,264)	(3,334)
<b>Net cash generated from/ (used in) financing activities</b>		<b>10,318</b>	<b>(3,334)</b>
Net change in cash and cash equivalents		209,166	(362,242)
Cash and cash equivalents, beginning of the year		325,055	687,297
<b>Cash and cash equivalents, end of the year</b>		<b>534,221</b>	<b>325,055</b>
<b><u>Non-cash information</u></b>			
Changes in fair value of available for sale investments		(18,124)	16,533
Actuarial gain on end-of-service indemnities		284	913
Right of use assets		2,896	6,304



Chief Financial Officer



Chief Executive Officer



Board Member

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



**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**1. ORGANISATION AND PRINCIPAL ACTIVITIES**

Walaa Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. (S/114) dated 02/05/1428H. The Company operates under UNN 7001526578 (formerly Commercial Registration no. 2051034982) dated Jumada II 19, 1428H corresponding to July 4, 2007. The registered address of the Company's head office is as follows:

Walaa Cooperative Insurance Company  
Head Office  
4513, Adh Dhahran Al Khubar Al Janubiyah  
Unit No: 8, Al-Khobar 34621-8615  
Kingdom of Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, casualty insurance and protection & savings both linked and non-linked.

On 2 Jumada II, 1424H, corresponding to July 31, 2003, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 28 Jumada II, 1429H corresponding to July 2, 2008, the Saudi Central Bank (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license number (TMN/16/20087) to transact insurance activities in Saudi Arabia.

The Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders’ operations in full.

The share capital of the Company as of December 31, 2022 is amounted to SAR 850.6 million comprising of 85.1 million shares of SAR 10 each (December 31, 2021: SAR 646.4 million comprising of 64.6 million shares of SAR 10 each). Refer note 21.

During the year, the share capital increased from SAR 646.4 million to SAR 850.6 million by issuing of 20.42 million new shares to acquire SABB Takaful (refer note 4).

**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**2. BASIS OF PREPARATION**

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

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On July 23, 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia.

These financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available-for-sale, held to maturity investments and end of service benefits. The Company’s statement of financial position is not presented using a current / non-current classification. Except for property and equipment, intangible assets, goodwill, long term deposits, statutory deposit, held to maturity and available for sale investments (included in investments), lease liabilities (included in accrued other liabilities), unit-linked reserves and end-of-service benefits all other assets and liabilities are of short-term nature, unless, stated otherwise.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly (Note 29). 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.

SAMA implementing regulations require the clear segregation of the assets, liabilities, income, and expenses of the insurance and shareholders’ operations. Accordingly, the statement of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders’ operations are presented in Note 29 as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. The accounting policies adopted for the insurance operations and shareholders’ operations are uniform for like transactions and events in similar circumstances.

**(b) Functional and presentation currency**

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

**(c) Fiscal year**

The Company follows a fiscal year ending December 31.

**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

The preparation of the Company's financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

***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 year, prior year claims estimates are reassessed for adequacy and changes are made to the provision. The provision for outstanding claims, as at December 31, is certified by the Appointed Actuary and also verified by an independent actuary appointed by the auditors.

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. The 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) Impairment of financial assets***

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

***iii) Impairment of receivables***

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

***iv) Fair value of financial instruments***

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

**WALAA COOPERATIVE INSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**(d) Critical accounting judgments, estimates and assumptions (continued)**

*iv) Fair value of financial instruments (continued)*

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

*v) Impact of Covid-19*

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. The major impact of Covid-19 pandemic was seen in medical and motor line of business. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company’s insurance products and forecast. Further, the Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company’s operations during 2022 or beyond.

However, the Company’s management believes that the Covid-19 pandemic has had no material effects on Company’s reported results for the year ended 31 December 2022.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented.

*Standards issued but not yet effective*

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company’s financial statements in the period of initial application.

**WALAA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) 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 Company has significantly completed its implementation process which is managed internally through a dedicated IFRS 17 team and governed by a steering committee. The preparation for IFRS 17 has required significant changes to the Company’s reporting systems. Company is well prepared for the reporting requirements from 1 January 2023 onwards. As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs for the year ended 31 December 2020, 2021 and the period ended 30 June 2022 to SAMA.

**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. 1 January 2023:

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

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims (“LIC”) and Liability for Remaining Coverage (“LRC”). All the contracts and products are considered by the Company and based on the eligibility testing, classified under PAA, GMM and VFA categories.

**b) Combination/Unbundling of Contracts and Level of Aggregation**

The process of defining the level of aggregation under IFRS17 is split into three phases:

**- Portfolios**

Contracts which have similar risks and are managed together are allocated to the same IFRS 17 portfolio.

**- Groups**

Portfolios of insurance contracts are segmented, based on the level of profitability at initial recognition, into a minimum of three groups of contracts: (1) onerous contracts, (2) contracts which do not have significant possibility to become onerous (“resilient” contracts) and (3) “other” contracts.

**- Cohorts**

Since contracts which were issued more than a year apart cannot be grouped together under IFRS17, groups are further segmented based on the date on which the underlying policies were issued.

The Company has decided to aggregate the contracts into the following portfolios for the purpose of IFRS17 for Gross as well as for Re-insurance: Medical, Motor Comprehensive, Motor TPL, Property, Energy, Engineering, Protection & Savings non-linked & linked and Others.

**WALAA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) IFRS 17 Insurance Contracts (Continued)**

**2) Significant Judgements and Accounting Policy Choices (Continued)**

**c) Measurement – Overview**

The table below shows the list of products with their measurement model as initially determined. The application of measurement model is subject to application of eligibility testing hence, measurement model might be changed if certain products fail/ pass the PAA eligibility testing:

<b>S. No</b>	<b>Product Name</b>	<b>Measurement Model</b>
1	Comprehensive Commercial Motor Insurance	PAA
2	Comprehensive Private Motor Insurance	PAA
3	Motor Third Party Liability	PAA
4	Cooperative Health Insurance Policy	PAA
5	Group Life Insurance (written by MetLife)	PAA
6	Medical Corporate /Retail	PAA
7	Aviation Hull	PAA
8	Contractors all risk	GMM
9	Contractors Plant and Machinery	PAA
10	Deterioration of Stock in cold storage	PAA
11	Erection All Risks	GMM
12	Electronic Equipment Insurance Policy	PAA
13	Machinery breakdown insurance policy schedule	PAA
14	Machinery all risk	PAA
15	Fire specified Peril	PAA
16	Home Insurance	PAA
17	Loss of profits	PAA
18	Property all risk	PAA
19	Fire and allied Perils	PAA
20	Computer All Risk - Fire and allied Perils	PAA
21	Comprehensive General Liability	PAA
22	Directors and Officers Liability Insurance	PAA
23	Medical Malpractice and Public liability	PAA
24	Professional Indemnity Insurance - Miscellaneous	PAA
25	Professional Indemnity Insurance – Architects and engineers.	PAA
26	Security and Privacy Protection Policy	PAA
27	Terrorism Liability Insurance	PAA
28	Cyber Crime Liability	PAA
29	Marine open cover	PAA
30	Marine Pleasure Craft	PAA
31	Goods in transit	PAA
32	Marine cargo	PAA
33	Travel Insurance Policy	PAA
34	Fidelity Guarantee Policy	PAA
35	Workmen's Compensation Insurance Policy	PAA
36	Money	PAA
37	Workmen's Compensation Insurance & Employer Liability (endorsement)	PAA
38	Personal Accident Group Policy	PAA
39	Medical Malpractice	PAA
40	Energy - Downstream Operations	PAA
41	Property all risk & Business interruption	PAA
42	Inherent Defect Insurance (IDI)	PAA
43	Education	VFA
44	Investment	VFA
45	Retirement	VFA
46	Saving Takaful	VFA
47	Simple Saving	VFA
48	Takaful Care	GMM
49	Critical Illness	GMM

**WALAA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) IFRS 17 Insurance Contracts (Continued)**

**2) Significant Judgements and Accounting Policy Choices (Continued)**

**c) Measurement – Overview (Continued)**

***i) PAA eligibility assessment approach***

Most of the insurance portfolio of the Company is of a tenor less than a year, hence will be eligible for Premium Allocation Approach (PAA), however, certain products in the Engineering, Casualty and Motor (Manafeth policies) together with Risk attaching reinsurance contracts have tenor which is greater than a year. For certain type of long term (re) insurance contracts, the management was able to meet the eligibility criteria for the PAA approach as the Liability for remaining coverage of these contracts does not differ materially under both measurement methods. The application of measurement model is subject to application of eligibility testing hence, measurement model might be changed if certain products fail/ pass the PAA eligibility testing.

***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 EIOPA rates denominated in USD and adjusted for the country risk premium. 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 cashflows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

***iii) Risk Adjustment methodology***

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 confidence level technique.

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.

***iv) CSM release pattern***

The amount of the CSM of a group of insurance contracts that is recognised 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 recognising 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.

**WALAA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) IFRS 17 Insurance Contracts (Continued)**

**2) Significant Judgements and Accounting Policy Choices (Continued)**

**c) Measurement – Overview (Continued)**

**v) Onerosity**

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 factors, results of similar contracts it has recognized, environmental factors (e.g., changes in market experience or regulations)

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

**vi) Provision for Doubtful Debts**

The company has developed impairment methodology for Premium receivable and Reinsurance receivable and recoverable based on the methodology as provided by IFRS 9 (Simplified Approach).

**d) Accounting Policy Choices**

Comparability of the financials across insurance industry would be affected due to management choices in adoption of accounting policies specifically pertaining to the following areas:

- a. Length of Cohorts
- b. Use of OCI for IFIE
- c. Unwinding of Discount on Risk Adjustment
- d. Expense Attribution
- e. Deferral of Acquisition Cost
- f. Policyholder Surplus accounting

**e) Presentation and Disclosure**

**i) Presentation:**

The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its insurance contracts particularly in the year of the adoption of the new standard.

In the statement of financial position, technical accounts like deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to changes in total assets, offset by changes in total liabilities and equity. Similar change will result in the income statement where in new format would require the Company to present the amounts as insurance service result, consisting of insurance revenue less insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held will be presented separately from the expenses or income from insurance contracts issued.



**WALAA COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- (i) **IFRS 17 Insurance Contracts (Continued)**  
 2) **Significant Judgements and Accounting Policy Choices (Continued)**  
 e) **Presentation and Disclosure (Continued)**

*ii) Disclosures*

Following is a list of additional submissions / disclosures which would be required to be provided by the Company to regulators / shareholders as applicable:

- i. Reconciliations for changes in Liability for Remaining Coverage, Liability for Incurred Claims, and Loss Components for Insurance Contracts and for Reinsurance Held pertaining to all measurement models
- ii. Reconciliation of the measurement components of Insurance/ Reinsurance Held contract balances pertaining to GMM/VFA model
- iii. Analysis of Insurance Revenue pertaining to GMM/VFA model
- iv. Effect of new business on the financial statement for Insurance Contracts and for Reinsurance Held pertaining to GMM/VFA model
- v. Updated Risk Framework modified basis adoption of IFRS 17 and IFRS 9
- vi. Sensitivity analysis pertaining to all measurement models

**3) Transition Impact**

*i) Impact on Equity*

The Company estimates that, on adoption of IFRS 17, the impact of these changes is a reduction in the Company's total equity of SAR 2.715 to 3.320 million 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.

<b>Drivers of Changes in Equity</b>	<b>Equity transition impact on Jan 1, 2022</b>
Changes in measurement of insurance contract liabilities	<i>Decrease by SAR 36.661 to 44.808 million</i>
Changes in measurement of reinsurance contract assets	<i>Increase by SAR 33.946 to 41.488 million</i>
<b>Total impact on equity</b>	<b><i>Decrease by SAR 2.715 to 3.320 million</i></b>

*ii) Impact on Liabilities and Assets*

<b>Drivers of Changes in Equity</b>	<b>Equity transition impact on Jan 1, 2022</b>
<b>Due to changes in Liabilities</b>	
Movement due to Risk Adjustment	Decrease by SAR 76.902 to 93.991 million
Movement due to Loss Component	Decrease by SAR 6.814 to 8.328 million
Other movements in LFRC	Increase by SAR 32.715 to 39,985 million
Other movements in LIC	Increase by SAR 14.340 to 17.526 million
<b>Total impact on Equity due to changes in Liabilities</b>	<b><i>Decrease by SAR 36.661 to 44.808 million</i></b>
<b>Due to changes in Assets</b>	
Movement due to Risk Adjustment	Increase by SAR 51.164 to 62.534 million
Other movements in ARC	Decrease by SAR 2.480 to 3.032 million
Other movements in AIC	Decrease by SAR 14.738 to 18.014 million
<b>Total impact on Equity due to changes in Assets</b>	<b><i>Increase by SAR 33.946 to 41.488 million</i></b>

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) IFRS 17 Insurance Contracts (Continued)**

**3) Transition Impact (Continued)**

The estimated change in shareholders' equity includes the impact of risk adjustment, loss component, discounting, and conversion of numbers as per IFRS 4 to estimated cashflows as per IFRS 17. The assessment made by the Company is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimated range if a different set of assumptions and policy choices are made. The Company continues to refine assumptions, methodologies and controls in advance of IFRS 17 adoption on 1 January 2023. Although dry runs were carried out in 2022, the new systems and associated controls in place have not been operational for an extended time. As a result, the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework. All estimates are based on the Company's current interpretation of the requirements of IFRS 17, reflecting industry guidance and discussions to date. Thus, the above figures highlighting the impact to the equity may change owing to uncertainties due to both technical and operational challenges, e.g., areas of auditor's concern, data reconciliations, System implementation and integration, simplifications adopted to arrive at the above estimates, etc.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(ii) IFRS 9 Financial Instruments**

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

**1) Financial assets – Classification**

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income.

For an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

The Company expects that certain term-deposits and sukuks to be classified as financial assets at amortized cost while the remaining to be classified as fair value through income statement as a result of the adoption of IFRS 9.

The Company also expects that certain equities and mutual funds to be classified as fair value through income statement while the remaining to be classified as fair value through other comprehensive income.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(ii) IFRS 9 Financial Instruments (Continued)**

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

**2) Financial assets – Impairment**

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 will apply the expected credit losses ('ECL') on its financial assets measured at amortised cost, Premium & reinsurance receivables as rights and obligations under insurance and reinsurance contracts are accounted for under IFRS 17 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 will be recognizing a loss allowance for such losses at each reporting date in compliance with the requirements of IFRS 9.

**3) Financial liabilities**

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

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(ii) IFRS 9 Financial Instruments (Continued)**

**4) Transition**

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment to the balance of the Company's total equity is estimated to be a reduction of SAR 0.754 to 0.922 million at 1 January 2022, as summarized below. 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

<b>Drivers of Changes in Equity</b>	<b>Equity transition impact on Jan 1, 2022</b>
<i>Impairment of financial assets</i>	<i>Decrease by SAR 0.754 to 0.922 million</i>

**Overall Impact on Equity due to Transition to IFRS17 and IFRS 9**

The Company estimates that, on adoption of IFRS 17 and IFRS9, the impact of these changes (after tax) is a reduction in the Company's total equity of SAR 3.469 to 4.242 million 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.

<b>Transition To</b>	<b>Equity transition impact on Jan 1, 2022</b>
<i>IFRS 17</i>	<i>Decrease by SAR 2.715 to 3.320 million</i>
<i>IFRS 9</i>	<i>Decrease by SAR 0.754 to 0.922 million</i>
<b><i>Total impact on Equity</i></b>	<b><i>Decrease by SAR 3.469 to 4.242 million</i></b>

The above change in equity will affect the solvency ratio of the Company, which will be estimated and disclosed in the financials.

**5) Najm Valuation**

The Company has equity investment amounting to SAR 5.10 million in Najm for Insurance Services Company commonly known as "Najm". Najm is the company providing insurance related services particularly for Motor segment to all the insurance companies dealing in Motor. This investment has not been remeasured at fair value as Najm is under the process of conducting fair valuation on behalf of the industry. Once completed, each company will record valuation equivalent to its investment share.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(iii) Insurance contracts**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

**(iv) Revenue Recognition**

*Recognition of premium and commission revenue*

Premiums and commission are recorded in the statement of income based on 365 days pro rata method except for long term policies (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

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

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

***Reinsurance assumed***

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

***Commission income on investments***

Commission income on time deposits and held-to-maturity investments is recognized on a time proportion basis using the effective interest rate method.

***Dividend income on investments***

Dividend income on equity instruments classified under available for sale and held for trading investments is recognized when the right to receive payment is established.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(v) Claims**

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

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

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

**(vi) Salvage and subrogation reimbursement**

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims and IBNR 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.

**(vii) Reinsurance contracts held**

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 3(iii) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position - insurance operations' representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 3(xvii).

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(viii) Deferred policy acquisition costs**

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

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

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

**(ix) Liability adequacy test**

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

**(x) Receivables**

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other operating expenses" in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, settled or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 10 fall under the scope of IFRS 4 "Insurance contracts".

**(xi) Investments**

**a) Available for sale**

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments."

Dividend, commission income and foreign currency gain / (loss) on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income, as part of the net investment income / loss.

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



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(xi) Investments (Continued)**

**a) Available for sales (continued)**

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

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

*Reclassification:*

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the Effective Interest Rate "EIR". If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

**b) Held to maturity**

Held to maturity investments are investment having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held to maturity. Investments are initially recognized at the fair value including direct and incremental transaction cost. Subsequent to initial measurement these are measured at amortized cost less impairment losses, if any.

**c) Held for trading**

Investments are classified as at fair value through statement of income if they are classified as held-for-trading or are designated as such on initial recognition. The investments that are classified as held for trading may include sukuks, equities and mutual funds and accordingly are classified as FVSI. Directly attributable transaction costs are recognized in the statement of income as incurred. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income.

**(xii) De-recognition of financial instruments**

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

**(xiii) Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(xiv) Trade date accounting**

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

**(xv) Impairment of financial assets**

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

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

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

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

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

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The determination of what is significant or prolonged requires judgment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in other comprehensive income. On derecognition, any cumulative gain or loss previously recognized in other comprehensive income is included in the statement of income under "Gain / (loss) on available for sale investments.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

**(xvi) Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(xvi) Property and equipment (Continued)**

	<u>No of years</u>
Furniture, fixture and office equipment	5
Computer equipment	4
Vehicles	4

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

**(xvii) Intangible assets**

Separately acquired intangible assets (computer software) are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortizes intangible assets with a limited useful life using straight-line method over the period of 4 years.

**(xviii) Goodwill**

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

Impairment testing of goodwill: The Company's management tests, on an annual basis, whether goodwill arising on merger has suffered any impairment. This requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The key assumptions used in determining the recoverable amounts are set out in Note 5.

**(xix) Impairment of non-financial assets**

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

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

**(xx) Provisions, accrued expenses and other liabilities**

Provisions are recognized when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(xxi) Employees' 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 the expected future wages and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds like dollar denominated KSA Sovereign Bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

#### **(xxii) Leases**

The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

##### **Policies applicable prior to January 1, 2019**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Company as lessee*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

##### **Policies applicable from January 1, 2019**

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these short term leases and leases of low value assets, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(xxii) Leases (Continued)**

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**(xxiii) Dividend distribution**

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

**(xxiv) Cash and cash equivalents**

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

**(xxv) Cash flow statement**

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

**(xxvi) Foreign currencies**

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Arabian Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(xxvii) Zakat and taxes**

Zakat and income tax are provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) known previously as the General Authority of Zakat and Tax ("the GAZT") in the Kingdom of Saudi Arabia. Zakat provision is charged to the statement of income. Zakat is computed on the Saudi shareholder's share of the zakat base, while income tax is calculated on the foreign shareholder's share of adjusted net income. Income tax is charged to the statement of income. The Company is settling the zakat and income tax annually to ZATCA.

**Withholding tax**

The Company withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

**Value added tax**

Expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**Deferred income tax:**

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

**(xxviii) Statutory reserve**

In accordance with the Company's by-laws, the Company shall allocate 20% of its annual 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.

**(xxix) Operating segments**

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

- Medical insurance provides coverage for health insurance.
- Motor insurance provides coverage for vehicles' insurance.
- Property insurance provides coverage for property insurance.
- Engineering insurance provides coverage for engineering and contract works.
- Energy insurance provides coverage to energy projects
- Protection and savings insurance both linked and non-linked provides coverage for life insurance
- Other insurance provides coverage for marine and other general insurance.

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

No inter-segment transactions occurred during the year. If any transaction was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

**(xxx) Unearned reinsurance commission**

Commission income on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. Amortization is recorded in the statement of income.

**(xxxi) Short-term deposits**

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition

**(xxxii) Fair values**

The fair value of financial assets is based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques if required. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**4. BUSINESS COMBINATION**

**Acquisition of SABB Takaful**

The Company signed a non-binding Memorandum of Understanding (the “MOU”) with SABB Takaful Company (“SABB Takaful”) on 05/12/1442H (corresponding to 15/07/2021G) to evaluate a potential merger between the two companies. Later, the Company announced on Tadawul’s website on 07/06/1443H (corresponding to 10/01/2022G) the extension of the MOU for another 45 days expiring on 24/02/2022G. The Company announced further on 26/07/1443H (corresponding to 27/02/2022G) that it has signed a binding merger agreement with SABB Takaful on 23/07/1443H (corresponding to 24/02/2022G) (the “Merger Agreement”) reflecting the agreement of both companies to merge through a share swap transaction, whereby the Company shall issue /0.6005476176470590/ nominal shares in the Company against each issued share in SABB Takaful (“Exchange Ratio”), to the benefit of eligible shareholders in SABB Takaful (i.e., shareholders owning the shares issued in SABB Takaful Company on the effective date of the Merger Transaction) and as consideration for the transfer of assets and liabilities of SABB Takaful, and without any additional cash consideration being paid (“Merger Transaction” or “Merger”). This is in accordance with the Companies Law issued by the Ministry of Commerce, the regulations of the Capital Market Authority (“CMA”), including the Mergers and Acquisitions Regulations, the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules issued by the Saudi Stock Exchange (Tadawul), as well as the relevant regulations of the Saudi Central Bank (“SAMA”).

The Company received SAMA’s approval regarding the Merger Transaction on 02/01/1444H (corresponding to 31/07/2022G) and other ancillary matters.

The shareholders in the EGM held on September 15, 2022 corresponding to 19 Safar 1444H approved the merger of SABB Takaful Company into the Company in accordance with the provisions of Articles (191), (192) and (193) of the Companies Law by issuing (0.6005476176470590) new shares in the Company against each share in SABB Takaful Company (“SABB Takaful”) (“Merger Transaction”), in accordance with the terms and conditions of the merger agreement. The formalities to update legal documents are under process.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations with the Company being the acquirer and SABB Takaful being the acquiree. The Company has accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values could be finalised if considered necessary, within twelve months of the date of acquisition as allowed by the Standard.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**4. BUSINESS COMBINATION (CONTINUED)**

**Identifiable assets acquired and liabilities assumed**

The following table summarises the fair values of assets acquired and liabilities assumed at the date of acquisition.

	<i>18 October 2022 (Unaudited) SAR'000</i>
<u>ASSETS</u>	
Cash and cash equivalents	45,373
Short term deposits	185,712
Contributions and retakaful / reinsurance receivables, net	52,042
Retakaful share of unearned contributions	16,766
Reinsurance / retakaful share of outstanding claims including incurred but not reported "IBNR"	106,684
Deferred policy acquisition costs	1,988
Available-for-sale investments	506,456
Held-to-maturity investments	96,060
Prepaid expenses and other assets	11,184
Intangible assets	2,279
Statutory deposit	34,000
Accrued income on statutory deposit	5,121
<b>TOTAL ASSETS</b>	<b>1,063,665</b>
<u>LIABILITIES</u>	
Accrued and other liabilities	36,311
Provision for zakat and income tax	5,722
Retakaful / reinsurers' balances payable	48,044
Unearned contributions	22,382
Unearned retakaful / reinsurance commission	3,595
Gross outstanding claims including IBNR	141,296
Unexpired risk reserve	406
Provision for employees' end-of-service benefits	3,592
Surplus distribution payable	8,235
Reserve for takaful activities	498,640
Accrued income on statutory deposit	5,121
<b>TOTAL LIABILITIES</b>	<b>773,344</b>
<b>SABB Takaful's net assets as at acquisition date</b>	<b>290,321</b>
Provisional goodwill arising from the acquisition	3,707
<b>Purchase consideration</b>	<b>294,028</b>

**WALAA COOPERATIVE INSURANCE COMPANY**  
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**4. BUSINESS COMBINATION (CONTINUED)**

**Purchase consideration and Goodwill & Intangibles**

The purchase consideration was determined to be SAR 294,028 thousands which settled by issuing 20,418,619 new shares of the Company to the shareholders of SABB Takaful at the Company's market price of SAR 14.4 per share at the effective date of merger. This was resulted in a provisional goodwill amounting to SAR 3.7 million.

The management has carried out a comprehensive Purchase Price Allocation undertaking wherein the provisional amounts could be finalized. Following the application of Purchase Price Allocation Methodology, the previously recognised goodwill amounting to SAR 3.7 million has been classified into intangibles. Through this purchase price allocation, the company has recognised a bargain purchase gain amounting to SAR 49.7 million.

Purchase consideration	<b>294,028</b>
Business value determined	<b>343,705</b>
<b>Bargain Purchase</b>	<b>49,677</b>

**5. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATION**

**Acquisition of SABB Takaful**

After initial recording of net assets acquired from SABB Takaful, the Company undertook a comprehensive Purchase Price Allocation and has identified the following intangible assets. Their valuation approach and methodologies are further detailed below:

	<b>Shareholders' operations</b>
	<b>2022</b>
	<b>SAR'000</b>
<i>Intangible Assets acquired in merger</i>	
- Individual Life	<b>48,899</b>
- General Takaful	<b>4,485</b>
<b>Total</b>	<b>53,384</b>

**Individual Life**

The Company has acquired the Individual Life insurance segment which comprises of ULIP insurance policies (Regular Saving, Simple Saving, Education, Retirement and Single Premium) from SABB Takaful effective the Acquisition Date. SABB Bank in the past have consistently generated revenues for SABB Takaful. The relationship has been spanning for more than 10 years, hence considered as a customer relationship with estimated useful life of 10 years.

Historically, SABB Takaful was able to achieve 76% of its budgeted revenue. Hence, considered the same for FY23 and FY24 and 5% y-o-y growth from FY25 onwards. The Individual life insurance policies have been valued using the "Multi-Period Excess Earning Method". Contributory asset charges (CAC) which include working capital (WC) charge and Assembled Workforce have been adjusted with the underwriting income to arrive at the Excess Earnings. Since the working capital and capex are minimal, the CAC do not have material impact on the cash flows. An EBIT margin of 5.7% has been considered based on the historical EBIT margin of individual life insurance contracts. A discount factor of 16.6% (WACC + 1%) has been used to discount the excess earnings to arrive at the value of the intangible.

The value of the Individual Life Customer Relationship intangible is assumed to be SAR 48.9 million.

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**5. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATION**  
**(CONTINUED)**

**Acquisition of SABB Takaful (Continued)**

**General Takaful**

General Takaful insurance policies consists of policies relating to marine, property, accident & liability, which have a life of one year. Average tenure of the customer relationship with SABB Takaful, for General Takaful insurance policies is between 10 and 12 years, hence it can be assumed that the estimated useful life of the customer relationship is 10 years. A 0.7% y-o-y growth rate has been assumed based on the historical growth of General Takaful contracts.

An EBIT margin of 9.7% has been considered based on the historical EBIT margins on these policies.

Customer relationship intangible is valued using the “Multi-Period Excess Earning Method”. Contributory Asset charges (CAC) which include Working Capital (WC) charge and Assembled Workforce have been adjusted with the underwriting income to arrive at the Excess Earnings. Since the working capital and capex are minimal, the CAC do not have a material impact on the cash flows. A discount factor of 16.6% (WACC+1%) has been used to discount the Excess Earnings to arrive at the value of the customer relationship intangible. The value of the General Takaful customer relationship intangible is assumed to be SAR 4.5 million.

**Acquisition of Metlife**

On January 27, 2020 corresponding to 2 Jumada II 1441H, the shareholders in the EGM approved the proposed merger of the Company and Metlife “MAA” to be effected by way of a merger pursuant to Articles 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G), through the issuance of 0.6577614444444444 new shares in the Company for each share in MAA subject to the terms and conditions of the Merger Agreement.

The purchase consideration was determined to be SAR 191,566 thousands which consisted of the issue of 11,839,706 new shares to the shareholders of MAA.

The Company has undertaken a comprehensive purchase price allocation and has identified the following intangible assets. Their valuation approach and methodologies are further detailed below:

	<b>Shareholders’ operations</b>
	<b>2022</b>
	<b>SAR’000</b>
Goodwill	<b>24,415</b>
<i>Intangible Assets acquired in merger</i>	
- Customer Contract (‘ALICO’)	<b>5,454</b>
- Customer Relationship	<b>2,832</b>
- Product Licenses (Protection & savings)	<b>24,847</b>
<b>Total</b>	<b>57,548</b>

**Customer Relationship**

IAS 38 specifies that if an entity can evidence that it can control economic benefits from non-contractual relationships, those customer relationships are identified as separable and can be recognized as an intangible asset. Arab National Bank (“has a relationship and was also 30% stakeholder of MAA) has historically contributed a consistent revenue stream for MAA with various insurance agreements. Hence, the relationship has been regarded to represent a Customer Relationship intangible. The management has employed “Multi Period Excess Earning Method” for valuing the non-contractual customer relationship and is considered to have a useful life of 6 years.

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**5. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATION (CONTINUED)**

**Acquisition of Metlife (Continued)**

**Customer Contract ('ALICO')**

On the Acquisition Date, Walaa acquired the Saudi run-off portfolio of American Life Insurance Company "ALICO" which was transferred initially to MAA on April 1<sup>st</sup>, 2015 as per the portfolio transfer agreement entered between MetLife ALICO and MAA and was 100% reinsured back to MetLife under a quota-share reinsurance agreement. This portfolio includes long term life protection, savings insurance products and personal accident policies. As per the terms of the portfolio transfer agreement and the quota-share reinsurance agreement, the Company is entitled to a reinsurance commission at an agreed rate and reimbursement of all expenses related to administration of the portfolio. The management has employed "Multi Period Excess Earning Method" for valuing the contractual customer relationship and is considered to have a useful life of 83 years based on the run-off of the customer portfolio.

**Product Licenses**

As a result of the Transaction, Walaa acquired the Protection & savings Insurance License. This license has been identified as an intangible asset. This life insurance intangible was valued using the "Multi Period Excess Earning Method" from the Protection & savings Line of Business for valuing product licenses. This is considered to be an intangible asset with an indefinite life and will therefore be subject to the annual impairment assessments.

**IMPAIRMENT TESTING OF INTANGIBLES**

The goodwill and intangible assets with indefinite life acquired through business combinations as referred to Note 4 will be reviewed annually, and assessed the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill and intangible assets with indefinite life are related. Intangible assets with indefinite life acquired through business combinations includes "Product Licenses" referred to above.

As per IAS 36, an impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

IAS 36 defines an asset's cash generating unit as the smallest group of assets that generate cash inflows largely independent of the cash inflows from other assets or groups of assets. As such for the purpose of impairment assessment performed, MAA combined with entity of Walaa Cooperative Insurance Company (i.e. the Company) is considered as a single CGU.

**Key assumptions used in impairment assessment**

The recoverable amount of the cash-generating units has been determined based on a value in use calculation, using cash flow projections covering a five-year period and by applying a terminal growth rate thereafter. The calculation of value in use in the cash-generating units is most sensitive to the following assumptions:

- Future cash flows available from operations;
- Weighted average cost of capital at 17% (2021: 14.00%)
- Terminal growth rate at 2% (2021: 2%)

Based on the current impairment assessment, goodwill and intangible assets are not impaired as at 31 December 2022.

This assessment was carried out by an independent consultant appointed by the Company. This includes a forecast of cash flows discounted using the WACC (Weighted Average Cost of Capital) in the jurisdiction where the Company operates. The recoverable values of the CGUs for Goodwill is SAR 1,938 million (2021: SAR 1,153.2 million) and SAR 26 million (2021: SAR 57.3 million) for Product License.

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**6. PROPERTY AND EQUIPMENT**

	Land	Furniture and fixtures	Computer equipment	Vehicles	Right of use assets	Total 2022	Total 2021
SAR'000							
<b>Cost:</b>							
January 1	16,400	19,893	21,626	714	18,155	76,788	53,477
Acquired during merger	-	-	-	397	-	397	-
Reclassifications	-	-	-	-	-	-	(3,168)
Additions	-	1,798	2,923	86	2,896	7,703	26,479
Disposals	-	-	-	-	(8,075)	(8,075)	-
<b>December 31</b>	<b>16,400</b>	<b>21,691</b>	<b>24,549</b>	<b>1,197</b>	<b>12,976</b>	<b>76,813</b>	<b>76,788</b>
<b>Accumulated Depreciation:</b>							
January 1	-	16,288	17,167	659	11,705	45,819	39,238
Acquired during merger	-	-	-	397	-	397	-
Charge for the year	-	1,520	2,074	26	2,991	6,611	8,676
Disposals	-	-	-	-	(8,075)	(8,075)	(2,095)
<b>December 31</b>	<b>-</b>	<b>17,808</b>	<b>19,241</b>	<b>1,082</b>	<b>6,621</b>	<b>44,752</b>	<b>45,819</b>
<b>Net book value</b>							
<b>December 31, 2022</b>	<b>16,400</b>	<b>3,883</b>	<b>5,308</b>	<b>115</b>	<b>6,355</b>	<b>32,061</b>	<b>-</b>
December 31, 2021	16,400	3,605	4,459	55	6,450	-	30,969

**7. INTANGIBLE ASSETS**

	Internally generated software	Customer Contract (Metlife ALICO)	Customer Relations (ANB)	Life License	Individual life	General Takaful	Total 2022	Total 2021
SAR'000								
<b>Cost:</b>								
January 1	16,546	5,454	2,832	24,847	-	-	49,679	42,434
Acquired during merger	15,218	-	-	-	-	-	15,218	-
Reclassifications	-	-	-	-	-	-	-	3,168
Additions	2,491	-	-	-	48,899	4,485	55,875	4,077
<b>December 31</b>	<b>34,255</b>	<b>5,454</b>	<b>2,832</b>	<b>24,847</b>	<b>48,899</b>	<b>4,485</b>	<b>120,772</b>	<b>49,679</b>
<b>Accumulated depreciation:</b>								
January 1	11,364	130	472	-	-	-	11,966	7,714
Acquired during merger	12,939	-	-	-	-	-	12,939	-
Charge for the year	2,534	2	474	-	-	-	3,010	1,898
Reclassifications	-	-	-	-	-	-	-	2,354
<b>December 31</b>	<b>26,837</b>	<b>132</b>	<b>946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,915</b>	<b>11,966</b>
<b>Net book value as at</b>								
<b>December 31, 2022</b>	<b>7,418</b>	<b>5,322</b>	<b>1,886</b>	<b>24,847</b>	<b>48,899</b>	<b>4,485</b>	<b>92,857</b>	<b>-</b>
December 31, 2021	5,182	5,324	2,360	24,847	-	-	-	37,713

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**8. INVESTMENTS**

Investments are classified as follows:

	<b>Shareholders' operations</b>	
	<b>2022</b>	<b>2021</b>
	<b>SAR'000</b>	
Available for sale	<b>320,529</b>	374,554
Held for trading	<b>79,924</b>	86,367
Held to maturity	<b>298,456</b>	249,367
	<b>698,909</b>	710,288
	<b>Insurance operations</b>	
	<b>2022</b>	<b>2021</b>
	<b>SAR'000</b>	
Held to maturity	<b>211,293</b>	62,948
	<b>Total</b>	
	<b>2022</b>	<b>2021</b>
	<b>SAR'000</b>	
Available for sale	<b>320,529</b>	374,554
Held for trading	<b>79,924</b>	86,367
Held to maturity	<b>509,749</b>	312,315
	<b>910,202</b>	773,236

**i) Available-for-sale**

	<b>Domestic</b>		<b>International</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>SAR'000</b>		<b>SAR'000</b>		<b>SAR'000</b>	
Equities	<b>222,872</b>	254,431	<b>97,657</b>	120,123	<b>320,529</b>	374,554
<b>Available for sale</b>	<b>222,872</b>	254,431	<b>97,657</b>	120,123	<b>320,529</b>	374,554

Movement in available for sale investments are as follows:

	<b>Quoted securities</b>	<b>Unquoted securities</b>	<b>Total</b>
	<b>SAR'000</b>		
As of January 1, 2022	<b>222,114</b>	<b>152,440</b>	<b>374,554</b>
Acquired through business combination	<b>7,816</b>	-	<b>7,816</b>
Purchases	<b>33,754</b>	<b>26,142</b>	<b>59,896</b>
Impairment and other adjustments	-	<b>(7,253)</b>	<b>(7,253)</b>
Disposals	<b>(118,594)</b>	<b>(8,330)</b>	<b>(126,924)</b>
Changes in fair value of investments, net	<b>11,580</b>	<b>860</b>	<b>12,440</b>
<b>As at December 31, 2022</b>	<b>156,670</b>	<b>163,859</b>	<b>320,529</b>
As of January 1, 2021	245,849	45,541	291,390
Purchases	64,384	113,664	178,048
Impairment of investments	-	(6,765)	(6,765)
Disposals	(119,726)	-	(119,726)
Changes in fair value of investments, net	31,607	-	31,607
<b>As at December 31, 2021</b>	<b>222,114</b>	<b>152,440</b>	<b>374,554</b>

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**8. INVESTMENTS (CONTINUED)**

**ii) Held for trading**

	<b>Domestic</b>		<b>International</b>		<b>Total</b>	
	<b>2022</b>	2021	<b>2022</b>	2021	<b>2022</b>	2021
	SAR'000		SAR'000		SAR'000	
Equities	<b>79,924</b>	86,367	-	-	<b>79,924</b>	86,367
<b>Held for trading</b>	<b>79,924</b>	86,367	-	-	<b>79,924</b>	86,367

Movement in held for trading are as follows:

	<b>Quoted securities</b>	<b>Unquoted securities</b>	<b>Total</b>
	SAR'000		
As at January 1, 2022	<b>86,367</b>	-	<b>86,367</b>
Purchases during the year	<b>77,985</b>	-	<b>77,985</b>
Disposals during the year	<b>(88,739)</b>	-	<b>(88,739)</b>
Realized gain on disposals	<b>6,878</b>	-	<b>6,878</b>
Unrealized loss on investments	<b>(2,567)</b>	-	<b>(2,567)</b>
As at December 31, 2022	<b>79,924</b>	-	<b>79,924</b>

	<b>Quoted securities</b>	<b>Unquoted securities</b>	<b>Total</b>
	SAR'000		
As at January 1, 2021	-	-	-
Purchases during the year	188,078	-	188,078
Disposals during the year	(111,301)	-	(111,301)
Realized gain on disposals	8,018	-	8,018
Unrealized gain on investments	1,572	-	1,572
As at December 31, 2021	<b>86,367</b>	-	<b>86,367</b>

**iii) Held to maturity**

	<b>Domestic</b>		<b>International</b>		<b>Total</b>	
	<b>2022</b>	2021	<b>2022</b>	2021	<b>2022</b>	2021
	SAR'000		SAR'000		SAR'000	
Sukuks	<b>509,749</b>	312,315	-	-	<b>509,749</b>	312,315
<b>Held to maturity</b>	<b>509,749</b>	312,315	-	-	<b>509,749</b>	312,315

Movement in held to maturity investments are as follows:

	<b>2022</b>	2021
	SAR'000	
<b>Sukuks</b>		
As of January 1	<b>312,315</b>	224,401
Acquired through business combination	<b>95,138</b>	-
Purchases	<b>102,318</b>	88,172
Amortization/ adjustments	<b>(22)</b>	(258)
As at December 31	<b>509,749</b>	312,315

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**9. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS**

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

	<b>Insurance operations</b>	
	<b>2022</b>	2021
	SAR'000	
Cash and cash equivalents	<b>300,240</b>	322,883
Time Deposits (having maturity up to 90 days)	<b>123,888</b>	-
<b>Total</b>	<b>424,128</b>	322,883
	<b>Shareholders' operations</b>	
	<b>2022</b>	2021
	SAR'000	
Cash and cash equivalents	<b>60,093</b>	2,172
Time Deposits (having maturity up to 90 days)	<b>50,000</b>	-
<b>Total</b>	<b>110,093</b>	2,172
<b>Total cash and cash equivalents</b>	<b>534,221</b>	325,055

**b) Short term deposits:**

Short term deposits are placed with counterparties that have credit ratings equivalent to BBB+ to BBB ratings under Standard and Poor's Fitch and Moody's rating Methodology. Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia within a maturity greater than three months from the date of original acquisition and earned Commission Income at an average rate of 4.2% (2021: 1.64%) per annum. For the year end December 31, 2022, the carrying amounts of the short-term deposits reasonably approximate to the fair value at the statement of financial position date.

**10. PREMIUMS AND REINSURERS' RECEIVABLE - NET**

Receivables comprise amounts due from the following:

	<b>2022</b>	2021
	SAR'000	
Policyholders	<b>444,208</b>	201,080
Brokers and agents	<b>224,165</b>	393,052
Related parties (note 19)	<b>68,523</b>	5,938
Receivables from reinsurers	<b>52,248</b>	32,702
	<b>789,144</b>	632,772
Less: provision for doubtful receivables	<b>(61,282)</b>	(50,643)
<b>Premiums and reinsurers' receivable – net</b>	<b>727,862</b>	582,129



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**10. PREMIUMS AND REINSURERS' RECEIVABLE - NET (CONTINUED)**

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

	<u>2022</u>	2021
	<u>SAR'000</u>	
Balance, January 1	50,643	39,321
Addition from merger	5,606	-
Provision for the year	5,033	17,198
Provision written off	-	(5,876)
Balance, December 31	<u>61,282</u>	<u>50,643</u>

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

Premium and reinsurance receivables	Total	Neither impaired nor past due	<u>Past due but not impaired</u>		More than 360 days
			91-180 days	181-360 days	
<u>SAR'000</u>					
- Policyholders	609,523	493,948	71,134	35,663	8,778
- Due from related parties	67,046	63,010	2,525	1,313	198
- Receivable from reinsurers	51,293	15,316	21,039	13,453	1,485
<b>2022</b>	<u>727,862</u>	<u>572,274</u>	<u>94,698</u>	<u>50,429</u>	<u>10,461</u>
Premium and reinsurance receivables	Total	Neither impaired nor past due	<u>Past due but not impaired</u>		More than 360 days
			91-180 days	181-360 days	
<u>SAR'000</u>					
- Policyholders	543,916	433,969	77,937	25,132	6,878
- Due from related parties	5,823	5,749	8	32	34
- Receivable from reinsurers	32,390	27,110	3,710	1,466	104
<b>2021</b>	<u>582,129</u>	<u>466,828</u>	<u>81,655</u>	<u>26,630</u>	<u>7,016</u>

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.

The five largest customers' accounts for 28% (2021: 35%) of the gross premium receivables as at December 31, 2022.

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**11. TECHNICAL RESERVES**

**11.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

	2022	2021
	SAR'000	
Outstanding claims	546,399	480,616
Gross Claims incurred but not reported	332,944	283,457
Less: Net realizable value of salvage	(15,365)	(17,255)
Claims incurred but not reported	317,579	266,202
Additional premium reserves:		
- Premium deficiency reserve	7,763	9,054
	7,763	9,054
Other technical reserves:		
- Non-proportional reinsurance accrual reserve	7,120	7,701
	7,120	7,701
	878,861	763,573
Less:		
- Reinsurers' share of outstanding claims	(291,813)	(338,919)
- Reinsurers' share of claims incurred but not reported	(180,995)	(149,655)
	(472,808)	(488,574)
<b>Net outstanding claims and reserves</b>	<b>406,053</b>	<b>274,999</b>

**11.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

	For the year ended December 31, 2022		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	1,074,103	(538,598)	535,505
Acquired from business combination	22,382	(16,766)	5,616
Premiums written / (ceded) during the year	2,641,932	(1,314,506)	1,327,426
Premiums (earned) / ceded during the year	(2,556,414)	1,253,064	(1,303,350)
Balance as at the end of the year	1,182,003	(616,806)	565,197

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**11. TECHNICAL RESERVES (CONTINUED)**

**11.2 Movement in unearned premiums (continued)**

	<b>For the year ended December 31, 2021</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
	SAR'000		
Balance as at the beginning of the year	789,964	(363,490)	426,474
Premiums written / (ceded) during the year	2,338,834	(1,188,273)	1,150,561
Premiums (earned) / ceded during the year	(2,054,695)	1,013,165	(1,041,530)
Balance as at the end of the year	1,074,103	(538,598)	535,505

**11.3 Movement in deferred policy acquisition costs and unearned reinsurance commission**

	<b>For the year ended December 31, 2022</b>	
	<b>Deferred policy acquisition cost</b>	<b>Unearned reinsurance commission</b>
	SAR'000	
Balance, January 1	36,476	31,258
Acquired from business combination	2,703	4,289
Incurred during the year	99,458	89,590
Amortized/ earned during the year	(87,401)	(79,052)
Balance, December 31	51,236	46,085

	<b>For the year ended December 31, 2021</b>	
	<b>Deferred policy acquisition cost</b>	<b>Unearned reinsurance commission</b>
	SAR'000	
Balance, January 1	25,355	20,472
Incurred during the year	71,240	86,948
Amortized/ earned during the year	(60,119)	(76,162)
Balance, December 31	36,476	31,258

**12. COMMITMENTS AND CONTINGENCIES**

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

	<b>December 31, 2022</b>	December 31, 2021
	SAR'000	
Letters of guarantee	<b>13,143</b>	8,125

The company has submitted these bank guarantees to various parties which are fully covered by margin deposits amounting to SAR 13.143 million (2021: SAR 8.125 million).

b) The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. The Company's management, based on independent legal advice, believes that the outcome of court cases will not have a material impact on the Company's income or financial condition.

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**13. ACCRUED AND OTHER LIABILITIES**

	<u>2022</u>	<u>2021</u>
	SAR'000	
Accrued expenses	<b>23,474</b>	7,889
Marketing representative commissions	<b>41,236</b>	41,236
VAT Payable to Zakat, Tax, and Customs Authority, net	<b>30,180</b>	27,881
Contribution payable to GOSI	<b>874</b>	673
Payable to suppliers and service provider	<b>129,283</b>	85,138
Lease rental	<b>5,893</b>	5,567
Other liabilities	<b>78,753</b>	22,318
	<b>309,693</b>	190,702

**14. SURPLUS DISTRIBUTION PAYABLE**

	<u>2022</u>	<u>2021</u>
	SAR'000	
Opening surplus distribution payable as at January 1	<b>2,148</b>	9,774
Liability assumed from business combination	<b>6,952</b>	-
Transfer for payments	-	(7,626)
Closing surplus distribution payable as at December 31	<b>9,100</b>	2,148

**15. EMPLOYEE'S END-OF-SERVICE INDEMNITIES**

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

**15.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:**

	<u>2022</u>	<u>2021</u>
	SAR'000	
Present value of defined benefit obligation	<b>26,948</b>	21,982

**15.2 Movement of defined benefit obligation**

	<u>2022</u>	<u>2021</u>
	SAR'000	
Opening balance	<b>21,982</b>	21,724
Liability assumed from business combination	<b>3,592</b>	-
Charge to statement of income	<b>4,134</b>	3,728
Charge to statement of comprehensive income	<b>(284)</b>	(913)
Payment of benefits during the year	<b>(2,476)</b>	(2,557)
Closing balance	<b>26,948</b>	21,982

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**15. EMPLOYEE'S END-OF-SERVICE INDEMNITIES (CONTINUED)**

**15.3 Reconciliation of present value of defined benefit obligation**

	<u>2022</u>	<u>2021</u>
	SAR'000	
Present value of defined benefit obligation as at January 1	<b>21,982</b>	21,724
Liability assumed from business combination	<b>3,592</b>	-
Current service costs	<b>3,145</b>	3,157
Financial costs	<b>989</b>	571
Actuarial loss from experience adjustments	<b>(284)</b>	(913)
Benefits paid during the year	<b>(2,476)</b>	(2,557)
Present value of defined benefit obligation as at December 31	<b>26,948</b>	21,982

**15.4 Principal actuarial assumptions**

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

	<u>2022</u>	<u>2021</u>
	SAR'000	
Valuation discount rate	<b>3.50%</b>	3.50%
Expected rate of increase in salary level across different age bands	<b>3.50%</b>	3.50%

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

	<u>2022</u>	<u>2021</u>
	SAR'000	
	<b>Impact on defined benefit obligation</b>	
Valuation discount rate		
- Increase by 100 bps	<b>26,948</b>	21,981
- Decrease by 100 bps	<b>31,663</b>	25,650
Expected rate of increase in salary level across different age bands		
- Increase by 100 bps	<b>29,186</b>	23,712
- Decrease by 100 bps	<b>25,013</b>	20,492

The average duration of the defined benefits plan obligation at the end of reporting period is 8.7 years (2021: 8.3 years).

**16. CLAIMS DEVELOPMENT TABLE**

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from year 2009 onwards whose claim experience has not been fully developed.

Claims triangulation analysis is by accident years, spanning a number of financial years.

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**16. CLAIMS DEVELOPMENT TABLE (CONTINUED)**

**Claims development table gross of reinsurance:**

<b>2022</b> <b>Accident year</b>	<b>2017 &amp;</b> <b>Earlier</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
<b>SAR'000</b>							
<b>Estimate of ultimate claims cost gross of reinsurance:</b>							
At the end of accident year	637,391	659,376	606,558	546,405	1,393,420	1,507,023	1,507,023
One year later	694,640	706,349	685,849	619,196	1,358,410	-	1,358,410
Two years later	706,888	710,958	719,388	720,180	-	-	720,180
Three years later	708,308	717,298	728,215	-	-	-	728,215
Four years later	712,211	760,003	-	-	-	-	760,003
Five years later	1,689,271	-	-	-	-	-	1,689,271
Current estimate of cumulative claims	1,689,271	760,003	728,215	720,180	1,358,410	1,507,023	6,763,103
Cumulative payments to date	(1,665,199)	(756,139)	(681,679)	(687,277)	(1,269,610)	(839,221)	(5,899,125)
Liability recognized in statement of financial position	24,072	3,864	46,536	32,903	88,800	667,802	863,978
Premium deficiency reserve							7,763
Outstanding claims and reserves							871,741

<b>2021</b> <b>Accident year</b>	<b>2016 &amp;</b> <b>Earlier</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
<b>SAR'000</b>							
<b>Estimate of ultimate claims cost gross of reinsurance:</b>							
At the end of accident year	-	637,391	659,376	606,558	546,405	1,393,420	1,393,420
One year later	-	694,640	706,349	685,849	619,196	-	619,196
Two years later	-	706,888	710,958	719,388	-	-	719,388
Three years later	-	708,308	717,298	-	-	-	717,298
Four years later	-	712,211	-	-	-	-	712,211
Five years later	495,757	-	-	-	-	-	495,757
Current estimate of cumulative claims	495,757	712,211	717,298	719,388	619,196	1,393,420	4,657,270
Cumulative payments to date	(494,865)	(704,177)	(706,893)	(651,355)	(589,785)	(763,377)	(3,910,452)
Liability recognized in statement of financial position	893	8,035	10,405	68,032	29,411	630,043	746,818
Premium deficiency reserve							9,054
Outstanding claims and reserves							755,872

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**16. CLAIMS DEVELOPMENT TABLE (CONTINUED)**

**Claims development table net of reinsurance:**

<b>2022</b>	<b>2017 &amp;</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
<b>Accident year</b>	<b>Earlier</b>						
<b>SAR'000</b>							
<b>Estimate of ultimate claims cost net of reinsurance:</b>							
At the end of accident year	603,159	635,586	545,768	525,053	950,748	1,125,666	1,125,666
One year later	653,201	677,961	582,000	588,643	1,011,511	-	1,011,511
Two years later	659,367	682,393	600,566	604,965	-	-	604,965
Three years later	660,767	688,648	593,490	-	-	-	593,490
Four years later	664,653	689,239	-	-	-	-	689,239
Five years later	1,470,854	-	-	-	-	-	1,470,854
Current estimate of cumulative claims	1,470,854	689,239	593,490	604,965	1,011,511	1,125,666	5,495,724
Cumulative payments to date	(1,469,175)	(687,019)	(586,213)	(595,218)	(972,081)	(794,849)	(5,104,555)
Liability recognized in statement of financial position	1,679	2,220	7,277	9,747	39,430	330,818	391,170
Premium deficiency reserve							7,763
Outstanding claims and reserves							398,933
<b>2021</b>	<b>2016 &amp;</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
<b>Accident year</b>	<b>Earlier</b>						
<b>SAR '000</b>							
At the end of accident year	-	603,159	635,586	545,768	525,053	950,748	950,748
One year later	-	653,201	677,961	582,000	588,643	-	588,643
Two years later	-	659,367	682,393	600,566	-	-	600,566
Three years later	-	660,767	688,648	-	-	-	688,648
Four years later	-	664,653	-	-	-	-	664,653
Five years later	463,156	-	-	-	-	-	463,156
Current estimate of cumulative claims	463,156	664,653	688,648	600,566	588,643	950,748	3,956,414
Cumulative payments to date	(463,096)	(661,978)	(681,774)	(588,060)	(569,886)	(733,376)	(3,698,170)
Liability recognized in statement of financial position	60	2,675	6,874	12,506	18,757	217,372	258,244
Premium deficiency reserve							9,054
Outstanding claims and reserves							267,298

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**17. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability

The management assessed that cash and short-term deposits, premium and reinsurance receivables, receivables from related parties, trade and other payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Determination of fair value and fair value hierarchy**

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

**a. Carrying amounts and fair value**

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

**Policyholders and Shareholders'**

<b><u>Operations</u></b>	<b>Carrying value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>December 31, 2022</b>					
		<b>SAR '000</b>			
<b>Financial assets measured at fair value</b>					
Available for sale investments	156,670	156,670	-	-	156,670
Unit linked investments	483,741	483,741	-	-	483,741
Held for trading Investments	79,924	79,924	-	-	79,924
	<b>720,335</b>	<b>720,335</b>	-	-	<b>720,335</b>

**Policyholders and Shareholders'**

<b><u>Operations</u></b>	<b>Carrying value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>December 31, 2021</b>					
		<b>SAR '000</b>			
<b>Financial assets measured at fair value</b>					
Available for sale investments	222,114	222,114	-	-	222,114
Held for trading Investments	86,367	86,367	-	-	86,367
	<b>308,481</b>	<b>308,481</b>	-	-	<b>308,481</b>

**b. Measurement of fair values**

The Company has investments amounting to SAR 163.859 million (31 December 2021: SAR 152.440 million) in unquoted securities and investments amounting to SAR 509.749 million in held to maturity investments recorded at amortized costs (31 December 2021: SAR 312.315 million). These investments in unquoted securities and recorded at amortized costs have not been measured at fair values in the absence of active market or other means of reliably measuring their fair values for certain investments. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

***Transfer between the levels***

During the year, there were no transfers into or out of each level.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**18. 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 chief executive officer in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance. Following the acquisition of SABB Takaful during the year ended December 31, 2022, the Company has added another segment named "Protection & Savings – Linked".

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

Segment assets do not include cash and cash equivalents, short term deposits, long term deposits, premiums and insurance balances receivable - net, due from shareholders' operations, investments, accrued commission income, prepaid expenses & other assets, property and equipment and intangible assets. Accordingly, these are included in unallocated assets.

Segment liabilities do not include policyholders' claims payables, accrued and other liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities and accrual loss thereon, and insurance operations' surplus. Accordingly, these 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.

Segments do not include shareholders' assets and liabilities and equity hence, these are presented under unallocated assets / liabilities accordingly.

The segment information provided to the Company's chief executive officer 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 the year then ended, are as follows:

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**18. OPERATING SEGMENTS (CONTINUED)**

	As at December 31, 2022										
	Insurance operations								Total - Insurance operations	Shareholders' operations	Total
	Medical	Motor	Property	Energy	Engineering	Protection & Savings – Non- Linked	Protection & Savings - Linked	Others			
SAR'000											
<b>Assets</b>											
Reinsurers' share of unearned premiums	1,355	36	90,625	213,963	133,908	6,670	36	170,213	616,806	-	616,806
Reinsurers' share of outstanding claims	1,009	4,350	105,195	-	45,371	51,137	-	84,751	291,813	-	291,813
Reinsurers' share of claims incurred but not reported	-	-	34,016	75,584	19,312	32,496	-	19,587	180,995	-	180,995
Reinsurer's share of mathematical reserves	-	-	-	-	-	89,123	-	-	89,123	-	89,123
Deferred policy acquisition costs	14,944	10,331	5,171	22	11,773	494	-	8,501	51,236	-	51,236
Unit-linked investments	-	-	-	-	-	-	483,741	-	483,741	-	483,741
Unallocated assets	-	-	-	-	-	-	-	-	2,031,858	1,136,856	3,168,714
<b>Total assets</b>	<b>17,308</b>	<b>14,717</b>	<b>235,007</b>	<b>289,569</b>	<b>210,364</b>	<b>179,920</b>	<b>483,777</b>	<b>283,052</b>	<b>3,745,572</b>	<b>1,136,856</b>	<b>4,882,428</b>
<b>Liabilities and shareholders' equity</b>											
Unearned premiums	298,587	209,486	95,204	214,759	144,088	16,001	-	203,878	1,182,003	-	1,182,003
Unearned Insurance commission	405	4	9,671	6,890	18,028	92	-	10,995	46,085	-	46,085
Outstanding claims	102,873	56,110	121,442	-	47,091	117,371	656	100,856	546,399	-	546,399
Claims incurred but not reported	28,930	68,581	36,118	75,963	20,799	61,863	-	25,325	317,579	-	317,579
Gross mathematical reserves	-	-	-	-	-	89,123	672	-	89,795	-	89,795
Additional Premium Reserve	-	7,719	-	-	-	44	-	-	7,763	-	7,763
Other Technical Reserve	362	4,853	288	13	72	911	-	621	7,120	-	7,120
Unit-linked reserves	-	-	-	-	-	-	483,741	-	483,741	-	483,741
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	-	-	1,065,087	1,136,856	2,201,943
<b>Total liabilities and shareholders' equity</b>	<b>431,157</b>	<b>346,753</b>	<b>262,723</b>	<b>297,625</b>	<b>230,078</b>	<b>285,405</b>	<b>485,069</b>	<b>341,675</b>	<b>3,745,572</b>	<b>1,136,856</b>	<b>4,882,428</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**18. OPERATING SEGMENTS (CONTINUED)**

	As at December 31, 2021									
	Insurance operations									
	Medical	Motor	Property	Energy	Engineering	Protection &Savings	Others	Total - Insurance operations	Shareholders' operations	Total
	SAR'000									
<b>Assets</b>										
Reinsurers' share of unearned premiums	3,564	47	178,620	144,495	57,986	587	153,299	538,598	-	538,598
Reinsurers' share of outstanding claims	446	-	232,018	-	33,813	15,284	57,358	338,919	-	338,919
Reinsurers' share of claims incurred but not reported	-	-	33,416	63,217	34,280	6,735	12,007	149,655	-	149,655
Reinsurer's share of mathematical reserves	-	-	-	-	-	123,696	-	123,696	-	123,696
Deferred policy acquisition costs	10,548	13,005	3,241	37	3,414	123	6,108	36,476	-	36,476
Unallocated assets	-	-	-	-	-	-	-	1,404,958	854,879	2,259,837
<b>Total assets</b>	<b>14,558</b>	<b>13,052</b>	<b>447,295</b>	<b>207,749</b>	<b>129,493</b>	<b>146,425</b>	<b>228,772</b>	<b>2,592,302</b>	<b>854,879</b>	<b>3,447,181</b>
<b>Liabilities and shareholders' equity</b>										
Unearned premiums	196,922	304,320	184,173	145,081	61,650	3,491	178,466	1,074,103	-	1,074,103
Unearned Insurance commission	801	5	9,059	6,456	6,635	25	8,277	31,258	-	31,258
Outstanding claims	45,290	46,500	233,827	-	35,033	47,588	72,378	480,616	-	480,616
Claims incurred but not reported	29,675	68,348	34,273	63,339	35,431	18,872	16,264	266,202	-	266,202
Gross mathematical reserves	-	-	-	-	-	123,696	-	123,696	-	123,696
Additional Premium Reserve	86	8,841	-	-	-	127	-	9,054	-	9,054
Other Technical Reserve	614	5,468	146	12	165	445	851	7,701	-	7,701
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	-	599,672	854,879	1,454,551
<b>Total liabilities and shareholders' equity</b>	<b>273,388</b>	<b>433,482</b>	<b>461,478</b>	<b>214,888</b>	<b>138,914</b>	<b>194,244</b>	<b>276,236</b>	<b>2,592,302</b>	<b>854,879</b>	<b>3,447,181</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**18. OPERATING SEGMENTS (CONTINUED)**

	For the year ended December 31, 2022								Total
	Medical	Motor	Property	Energy	Engineering	Protection & Savings – Non-Linked	Protection & Savings - Linked	Others	
	SAR'000								
<b>REVENUES</b>									
Gross premiums written									
- Direct	656,842	440,645	202,376	640,702	167,725	102,806	15,401	310,114	2,536,611
- Reinsurance	-	-	4,821	-	5,277	94,869	-	354	105,321
	656,842	440,645	207,197	640,702	173,002	197,675	15,401	310,468	2,641,932
Reinsurance premiums ceded									
- Local ceded			(12,259)		(10,500)	(992)	-	(651)	(24,402)
- Foreign ceded	(1,382)	(146)	(181,894)	(639,220)	(149,685)	(57,844)	(166)	(251,183)	(1,281,520)
	(1,382)	(146)	(194,153)	(639,220)	(160,185)	(58,836)	(166)	(251,834)	(1,305,922)
Excess of loss expenses	(2,302)	(2,795)	(1,360)	-	(1,360)	-	-	(767)	(8,584)
<b>Net premiums written</b>	<b>653,158</b>	<b>437,704</b>	<b>11,684</b>	<b>1,482</b>	<b>11,457</b>	<b>138,839</b>	<b>15,235</b>	<b>57,867</b>	<b>1,327,426</b>
Changes in unearned premiums, net	(103,874)	94,823	1,824	(210)	(4,176)	(3,387)	34	(9,110)	(24,076)
<b>Net premiums earned</b>	<b>549,284</b>	<b>532,527</b>	<b>13,508</b>	<b>1,272</b>	<b>7,281</b>	<b>135,452</b>	<b>15,269</b>	<b>48,757</b>	<b>1,303,350</b>
Reinsurance commissions	807	18	17,166	26,779	14,557	1,517	-	18,208	79,052
Other underwriting income	9,521	360	22	-	13	-	417	31,193	41,526
<b>TOTAL REVENUES</b>	<b>559,612</b>	<b>532,905</b>	<b>30,696</b>	<b>28,051</b>	<b>21,851</b>	<b>136,969</b>	<b>15,686</b>	<b>98,158</b>	<b>1,423,928</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>									
Gross claims paid	410,841	496,011	215,181	-	3,921	133,289	-	17,828	1,277,071
Surrenders and maturities	-	-	-	-	-	30,074	13,584	-	43,658
Expenses incurred related to claims	28,603	12,717	-	-	-	-	-	-	41,320
Reinsurers' share of claims Paid	(4,542)	(1,253)	(212,763)	-	(2,794)	(67,757)	-	(9,985)	(299,094)
<b>Net claims and other benefits paid</b>	<b>434,902</b>	<b>507,475</b>	<b>2,418</b>	<b>-</b>	<b>1,127</b>	<b>95,606</b>	<b>13,584</b>	<b>7,843</b>	<b>1,062,955</b>
Changes in outstanding claims, net	57,020	5,260	12,750	-	496	17,802	(100)	(3,526)	89,702
Changes in IBNR, net	(745)	233	314	257	217	4,868	-	3,824	8,968
<b>Net claims and other benefits Incurred</b>	<b>491,177</b>	<b>512,968</b>	<b>15,482</b>	<b>257</b>	<b>1,840</b>	<b>118,276</b>	<b>13,484</b>	<b>8,141</b>	<b>1,161,625</b>
Additional premium reserves	(86)	(1,122)	-	-	-	(83)	-	(45)	(1,336)
Other technical reserves	(252)	(615)	(155)	1	(152)	105	(2)	(228)	(1,298)
Change in mathematical reserves, net	-	-	-	-	-	-	672	-	672
Changes in unit-linked reserves	-	-	-	-	-	-	(14,899)	-	(14,899)
Commissions incurred	30,321	29,052	8,120	53	6,061	753	393	12,648	87,401
Other underwriting expenses	47,439	55,231	65	25,314	349	570	-	3,385	132,353
<b>TOTAL UNDERWRITING COSTS AND EXPENSES / (INCOME)</b>	<b>568,599</b>	<b>595,514</b>	<b>23,512</b>	<b>25,625</b>	<b>8,098</b>	<b>119,621</b>	<b>(352)</b>	<b>23,901</b>	<b>1,364,518</b>
<b>NET UNDERWRITING INCOME/ (LOSS)</b>	<b>(8,987)</b>	<b>(62,609)</b>	<b>7,184</b>	<b>2,426</b>	<b>13,753</b>	<b>17,348</b>	<b>16,038</b>	<b>74,257</b>	<b>59,410</b>

**WALAA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**18. OPERATING SEGMENTS (CONTINUED)**

**OTHER OPERATING (EXPENSES)/ INCOME**

Allowance for doubtful debts	(5,033)
General and administrative expenses	(177,265)
Commission income on deposits	23,995
Dividend income on investments	12,308
Impairment on available for sale investments	(800)
Realized gain on available for sale investments	30,564
Realized gain on held for trading investments	6,878
Change in Fair Value of PH AUM – Linked	(12,892)
Bargain purchase gain	49,677
Unrealized loss on held for trading investments	(2,567)
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(75,135)</b>
<b>Total loss for the year before zakat and income tax &amp; surplus attribution</b>	<b>(15,725)</b>
Zakat and income tax	(11,639)
<b>NET LOSS FOR THE YEAR</b>	<b>(27,364)</b>
Total income for the period attributable to insurance operations	-
<b>NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(27,364)</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**18. OPERATING SEGMENTS (CONTINUED)**

	For the year ended December 31, 2021							Total
	Medical	Motor	Property	Energy	Engineering	Protection & Savings	Others	
	SAR'000							
<b>REVENUES</b>								
Gross premiums written								
- Direct	362,397	610,554	298,630	508,695	88,397	58,229	306,584	2,233,486
- Reinsurance	-	-	7,381	-	997	96,665	305	105,348
	362,397	610,554	306,011	508,695	89,394	154,894	306,889	2,338,834
Reinsurance premiums ceded								
- Local ceded	-	-	(9,338)	(5)	(7,176)	-	-	(16,519)
- Foreign ceded	(7,309)	(189)	(285,292)	(507,404)	(75,322)	(33,387)	(257,707)	(1,183,129)
	(7,309)	(189)	(294,630)	(507,409)	(82,498)	(33,387)	(257,707)	(1,183,129)
Excess of loss expenses	-	(1,932)	(1,174)	-	(1,174)	-	(864)	(5,144)
<b>Net premiums written</b>	<b>355,088</b>	<b>608,433</b>	<b>10,207</b>	<b>1,286</b>	<b>5,722</b>	<b>121,507</b>	<b>48,318</b>	<b>1,150,561</b>
Changes in unearned premiums, net	(123,590)	32,485	(3,181)	(586)	(1,132)	(1,970)	(11,057)	(109,031)
<b>Net premiums earned</b>	<b>231,498</b>	<b>640,918</b>	<b>7,026</b>	<b>700</b>	<b>4,590</b>	<b>119,537</b>	<b>37,261</b>	<b>1,041,530</b>
Reinsurance commissions	901	37	22,156	17,584	17,435	1,238	16,811	76,162
Other underwriting income	116	890	11	-	8	-	2,609	3,634
<b>TOTAL REVENUES</b>	<b>232,515</b>	<b>641,845</b>	<b>29,193</b>	<b>18,284</b>	<b>22,033</b>	<b>120,775</b>	<b>56,681</b>	<b>1,121,326</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>								
Gross claims paid	191,574	608,777	51,320	-	32,377	100,745	20,285	1,005,078
Surrenders and maturities	-	-	-	-	-	17,447	-	17,447
Expenses incurred related to claims	1,872	18,303	-	-	-	-	-	20,175
Reinsurers' share of claims paid	(5,001)	(290)	(49,198)	-	(32,063)	(49,465)	(11,888)	(147,905)
<b>Net claims and other benefits paid</b>	<b>188,445</b>	<b>626,790</b>	<b>2,122</b>	<b>-</b>	<b>314</b>	<b>68,727</b>	<b>8,397</b>	<b>894,795</b>
Changes in outstanding claims, net	27,033	4,660	1,126	-	828	30,379	7,064	71,090
Changes in IBNR, net	13,769	(19,955)	105	122	(195)	10,667	(1,243)	3,270
<b>Net claims and other benefits incurred</b>	<b>229,247</b>	<b>611,495</b>	<b>3,353</b>	<b>122</b>	<b>947</b>	<b>109,773</b>	<b>14,218</b>	<b>969,155</b>
Additional premium reserves	(5,640)	(11,444)	-	-	-	128	-	(16,956)
Other technical reserves	331	216	(173)	12	(221)	79	(1,185)	(941)
Policy acquisition costs	13,531	25,312	5,393	19	5,969	261	9,634	60,119
Other underwriting expenses	17,608	62,603	2,978	17,816	620	485	3,852	105,962
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>255,077</b>	<b>688,182</b>	<b>11,551</b>	<b>17,969</b>	<b>7,315</b>	<b>110,726</b>	<b>26,519</b>	<b>1,117,339</b>
<b>NET UNDERWRITING INCOME/ (LOSS)</b>	<b>(22,562)</b>	<b>(46,337)</b>	<b>17,642</b>	<b>315</b>	<b>14,718</b>	<b>10,049</b>	<b>30,162</b>	<b>3,987</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>								
Allowance for doubtful debts								(17,198)
General and administrative expenses								(150,898)
Commission income on deposits								23,812
Dividend income on investments								9,601
Impairment on available for sale investments								(6,765)
Realized gain on available for sale investments								15,074
Realized gain on held for trading investments								8,018
Unrealized gain on held for trading investments								1,572
<b>TOTAL OTHER OPERATING EXPENSES</b>								<b>(116,784)</b>
<b>Total loss for the year before zakat and income tax &amp; surplus attribution</b>								<b>(112,797)</b>
Zakat for the period								<b>(9,257)</b>
<b>NET LOSS FOR THE YEAR</b>								<b>(122,054)</b>
Total income for the period attributable to insurance operations								-
<b>NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>								<b>(122,054)</b>

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**FOR THE YEAR ENDED DECEMBER 31, 2022**

**19. 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		Net balance receivable / (payable) as at	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	SAR '000		SAR '000	
<b>Entities controlled, jointly controlled or significantly influenced by related parties</b>				
Insurance premium written /receivables from				
- BOD and related parties	46,789	53,645	21,541	3,567
- Key management personnel	27	21	-	-
- Major Shareholders and related parties	37,081		44,929	
Reinsurance business with Directors and their Related Parties	-	-	(13)	(40)
Policy acquisition costs with Major Shareholders and their related parties	572	-	(572)	-
Rebate income from Major Shareholders and their related parties	(417)	-	-	-
Claims paid and payable to BOD and their related parties	17,007	57,661	(5,881)	(2,693)
Claims paid and payable to Major Shareholders and their related parties	14,304	-	(51,553)	-

**Remuneration and compensation of BOD Members and Top Executives**

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and 5 top executives for the year ended December 31, 2022 and 2021:

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR '000	
<b>2022</b>		
Salaries, allowances and other benefits	-	9,794
Annual remuneration and other charges	4,711	-
End of service provision for the year	-	796
Other Service benefits paid to BOD members	300	-
<b>Total</b>	<b>5,011</b>	<b>10,590</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**19. RELATED PARTY TRANSACTIONS AND BALANCS (CONTINUED)**

<b>2021</b>	<b>BOD members (Non- Executive)</b>	<b>Top Executives including the CEO and CFO</b>
	<b>SAR '000</b>	
Salaries and allowances	-	5,738
Annual remuneration	3,863	-
End of service provision for the year	-	951
Other Service benefits paid to BOD members	300	-
Total	4,163	6,689



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**20. ZAKAT AND INCOME TAX**

**Zakat**

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

	2022	2021
	SAR '000	
Share capital	688,353	646,397
Reserves, opening provisions and other adjustments	249,953	319,680
Book value of long term assets	(576,636)	(455,823)
	<b>361,670</b>	510,254
Adjusted income / (loss) for the year	<b>22,324</b>	(99,124)
Zakat base	<b>383,994</b>	411,130
Saudi shareholder's share of Zakat base @ 87.75% (2021: 87.35%)	<b>336,955</b>	359,122
Zakat due at 2.5776%	<b>8,685</b>	9,257

The differences between the financial and zakatable results are mainly due to provisions, which are not allowed in the calculation of adjusted income. The movement in the zakat provision for the year was as follows:

	2022	2021
	SAR '000	
Balance, January 1	30,880	27,220
Liability assumed from business combination	5,722	-
Provided during the year	8,685	9,257
Provision adjustment for prior years	2,468	-
Total provision charged to income statement	11,153	9,257
Payments during the year	(3,338)	(5,597)
Balance, December 31	<b>44,417</b>	30,880

**Income tax:**

	2022	2021
	SAR '000	
Net loss for the year before zakat and income tax	(15,725)	(112,797)
Provisions charged during the year for end of service benefits	4,134	4,208
Provision charged during the year for doubtful debts	5,033	17,198
Others	28,882	(7,733)
	<b>22,324</b>	(99,124)
Foreign shareholders' share of tax base @ 12.25% (2021: 12.65%)	<b>2,735</b>	(12,539)
Payments of end of service benefits	(2,476)	(2,557)
Others	-	-
	<b>(2,476)</b>	(2,557)
Foreign shareholders' share of tax payments	<b>(303)</b>	(187)
Tax base (2021: Nil being adjusted loss)	<b>2,432</b>	-
Tax at 20%	<b>486</b>	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**20. ZAKAT AND INCOME TAX (CONTINUED)**

Income tax charge for the current year is calculated at 20% of the adjusted taxable income on the portion of equity owned by the foreign shareholders. The movement in the tax provision for the year was as follows:

	2022	2021
	SAR '000	
Balance, January 1	328	1,644
Provided during the year	486	-
Payments during the year	-	(1,316)
Balance, December 31	<u>814</u>	<u>328</u>

**Zakat filing**

The Company has filed Zakat and income tax returns with Zakat, Tax, and Customs Authority (“ZATCA”) up to the year ended December 31, 2021 and obtained the required certificate from Zakat, Tax, and Customs Authority that is valid up to April 30, 2023.

**Status of assessments**

During 2019, the Company has received an assessment order for the year 2016 for an additional zakat and tax liability amounting to SR 20 million. The Company successfully appealed against most of the items in this assessment and paid an amount of SR 1.9 million as a full and final settlement.

During 2020, the Company received an assessment order for the year 2014 for an additional zakat and tax liability amounting to SR 5.9 million. Further, during 2020, the company has received assessment orders for the years 2015, 2017 and 2018 for an additional zakat and tax liability amounting to SR 9.3 million. The Company has appealed against these assessments, which are under review and consideration by the General Secretariat of Tax Committees (“GSTC”).

During 2022, the Company received an assessment for the years 2019 and 2020 for an additional zakat and tax liability amounting to SR 8.8 million. The Company has appealed against these assessments and in order for the objection to be accepted, the Company has partially paid twenty-five percent (25%) of assessed amount. These appeals are currently under ZATCA Review.

In addition to above, the Company has received VAT assessments for 2018-2020 for an additional liability amounting to SAR 27 million. The Company is in discussions with ZATCA over these assessments and expecting a favorable response.

**Status of SABB Takaful assessments:**

During 2018, ZATCA has issued the tax/zakat assessments for the years ended 31 December 2011 to 2014. The Company filed an objection against the ZATCA assessment considering the fact that the matters were already decided in Company’s favour for previous assessment years. Since ZATCA rejected the objection, the Company filed an appeal before GSTC. During 2021, the Tax Violations and Disputes Resolution Committee (TVDRC) [first level of appeal at the GSTC] conducted the hearings to discuss the case and issued its ruling of rejecting the Company’s contention. The Company appealed against the ruling to the Tax Violations and Disputes Appellate Committee (TVDAC) [Second and final level of appeal] and is waiting for TVDAC ruling.

During 2019, the ZATCA issued the tax/zakat assessment for the year ended 31 December 2018. The Company filed an appeal against the ZATCA assessment, with net zakat impact of around SAR 0.9 million before the GSTC. During 2021, the TVDRC conducted the hearings to discuss the case and issued its ruling of rejecting the Company’s contention. The Company appealed against the ruling to TVDAC and is waiting for TVDAC ruling.

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**20. ZAKAT AND INCOME TAX (CONTINUED)**

**Status of SABB Takaful assessments (continued)**

**Indirect tax matters- SABB Takaful:**

During 2020, the ZATCA raised an assessment based on the tax audit conducted with respect to Value Added Tax (VAT). In the said assessment, the ZATCA had decided to apply 5% VAT on the plan holder charges for life insurance policies supplied by SABB Takaful Company under Individual Family with effect from 1 January 2018 till 30 November 2019 along with the late payment penalties, amounting to SAR 1.68 million. During 2020, the Company used the ZATCA initiative program and paid the principal VAT amount of SAR 0.97 million under protest. Upon the payment, the ZATCA waived the late payment penalties amounting to SAR 0.71 million.

Further, the management of the Company reviewed assessment orders and responded in the specified time period and is confident that the additional liability would be adjusted significantly in favour of the Company. The management also believes that the provision as reflected in these financial statements is sufficient to meet any additional zakat and tax obligation.

**Provision for zakat and income tax**

Provision for zakat has been made at 2.5776% of the higher of approximate zakat base or adjusted net income and 2.5% on adjusted net income attributable to the Saudi shareholders of the Company.

Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

**Shareholding subject to zakat and income tax**

The following is the shareholding percentage for computation as at the end of the period/year:

	<b>December 31, 2022</b>	December 31, 2021
	<b>%</b>	<b>%</b>
	<b>SAR*000</b>	
Shareholding subject to zakat	<b>87.75</b>	87.35
Shareholding subject to income tax	<b>12.25</b>	12.65

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**21.SHARE CAPITAL**

The authorized, issued and paid up capital of the Company at December 31, 2022 is amounted to SAR 850.6 million comprising of 85.06 million shares of SAR 10 each (December 31, 2021: SAR 646.4 million consisting of 64.64 million shares of SAR 10 each).

In the year 2015, the Company had increased its share capital from SAR 200 million to SAR 400 million, by issuing 20 million right shares to its existing shareholders, which were offered at an exercise price of SAR 12 per share. This resulted in a share premium less issuance cost amounting to SAR 30.1 million.

The Company's Board of Directors in their meeting held on April 8, 2019 corresponding to 3 Sha'aban 1440H recommended to the Extraordinary General Assembly to increase share capital of the Company. The Extraordinary General Assembly approved to increase share capital of the Company from SAR 440 million to SAR 528 million by issuing one bonus share for every five existing shares owned by the shareholder. The increase in share capital is through capitalization of retained earnings of SAR 88 million. The increase in share capital was approved by the shareholders in their meeting held on 16 Ramadan 1440H (Corresponding to May 21, 2019).

The Board of Directors in their meeting held on 30 Muharram 1441 H (corresponding to 29 September 2019) resolved to increase the share capital from SAR 528,000,000 to SAR 646,397,060 by issuing 11,839,706 ordinary shares to merge MetLife AIG ANB Cooperative Insurance Company "MAA" into the Company and transferring all of MAA's assets and liabilities to the Company through a securities exchange offer. The merger was successfully completed and shared issued accordingly during 2020. The fair value of 11,839,706 shares of the Company was determined on the basis of closing market price of the Company's ordinary shares of SAR 16.18 per share on the Tadawul on the last trading date prior to the acquisition date of February 29, 2020. Issue costs which were directly attributable to the issue of the shares were not material. As a result, there was an increase in share capital and share premium amounting to SAR 118,397 thousand and SAR 73,169 thousand, respectively.

The shareholders in the EGM held on September 15, 2022 corresponding to 19 Safar 1444H approved the merger of SABB Takaful Company into the Company in accordance with the provisions of Articles (191), (192) and (193) of the Companies Law by issuing (0.6005476176470590) new shares in the Company against each share in SABB Takaful Company ("SABB Takaful") ("Merger Transaction"), in accordance with the terms and conditions of the merger agreement. The formalities to update legal documents are under process.

The purchase consideration was determined to be SAR 294,028 thousands which settled by issuing 20,418,619 new shares of the Company to the shareholders of SABB Takaful at the Company's market price of SAR 14.4 per share at the effective date of merger.

Shareholding structure of the Company is as below:

	<b>December 31, 2022</b>		
	<b>Authorized and issued</b>	<b>Paid up</b>	
	<b>No. of Shares</b>	<b>SAR "000"</b>	
Saudi British Bank	13,272,100	132,721	132,721
Others	71,786,225	717,862	717,862
<b>Total</b>	<b>85,058,325</b>	<b>850,583</b>	<b>850,583</b>
	<b>December 31, 2021</b>		
	<b>Authorized and issued</b>	<b>Paid up</b>	
	<b>No. of Shares</b>	<b>SAR "000"</b>	
American Life Insurance	3,551,911	35,519	35,519
Arab National Bank	3,545,146	35,451	35,451
International General Insurance Company	2,020,569	20,206	20,206
Others	55,522,080	555,221	555,221
<b>Total</b>	<b>64,639,706</b>	<b>646,397</b>	<b>646,397</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**22. DIVIDEND AND BONUS SHARES**

No dividend and bonus shares recommended during the year ended December 31, 2022.

**23. EARNINGS / (LOSS) PER SHARE (“EPS”)**

Basic and diluted (loss)/ earnings per share from shareholders' income is calculated by dividing net (loss)/ income for the year by weighted average number of ordinary shares outstanding during the year.

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

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

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

The Company's net admissible assets as at December 31, 2022 are 141% (2021: 285%) of the required minimum margin for solvency. Further, 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 850.6 million, share premium of SAR 193.1 million, statutory reserves of SAR 63.3 million and accumulated losses of SAR 68.1 million (December 31, 2021: paid-up share capital of SAR 646.4 million, share premium of SAR 103.3 million, statutory reserves of SAR 63.3 million and accumulated losses of SAR 40.8 million.) in the statement of financial position.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

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**25. GROSS PREMIUMS WRITTEN**

Class	For the year ended December 31, 2022					Total Gross premiums written
	Corporate				Individual	
	Micro	Small	Medium	Large		
	SR'000					
Medical	72,272	57,615	59,433	394,648	72,874	656,842
Motor	5,477	10,068	13,241	44,752	367,107	440,645
Property	26,298	21,049	26,515	133,309	26	207,197
Energy	326	79,217	22,989	538,170	-	640,702
Engineering	5,104	9,415	28,972	129,511	-	173,002
Protection & Savings	58,837	706	1,867	134,619	1,646	197,675
Protection & Savings- Linked	-	-	-	-	15,401	15,401
Others	18,877	37,603	47,861	184,445	21,682	310,468
<b>Total</b>	<b>187,191</b>	<b>215,673</b>	<b>200,878</b>	<b>1,559,454</b>	<b>478,736</b>	<b>2,641,932</b>

Class	For the year ended December 31, 2021					Total Gross premiums written
	Corporate				Individual	
	Micro	Small	Medium	Large		
	SR'000					
Medical	33,839	30,645	48,128	222,193	27,592	362,397
Motor	16,114	7,352	10,509	62,798	513,781	610,554
Property	8,880	110,554	27,179	159,398	-	306,011
Energy	1,687	-	20,981	486,027	-	508,695
Engineering	5,018	6,110	19,567	58,699	-	89,394
Protection & Savings	23,448	307	5,434	125,705	-	154,894
Others	20,027	29,114	40,960	211,557	5,231	306,889
<b>Total</b>	<b>109,013</b>	<b>184,082</b>	<b>172,758</b>	<b>1,326,377</b>	<b>546,604</b>	<b>2,338,834</b>

**26. GENERAL AND ADMINISTRATIVE EXPENSES**

	2022	2021
	SAR '000	
Salaries, benefits and remunerations	109,411	88,014
Advertising, marketing and branch development expenses	889	654
Rent	4,878	4,524
Insurance, utilities and maintenance	2,213	2,543
Depreciation and amortization	9,621	10,580
Communications and technology	15,323	15,898
Office supplies and printing	458	490
Training and education	1,409	1,283
Professional	14,711	10,786
Others	18,352	16,126
<b>Total</b>	<b>177,265</b>	<b>150,898</b>

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**27. INVESTMENT INCOME**

	<u>2022</u>	<u>2021</u>
	<u>SAR '000</u>	
<b>Available for sale financial assets</b>		
Dividend income	<b>12,308</b>	9,601
Realized gain on investments	<b>30,564</b>	15,074
Impairment on unquoted investments	<b>(800)</b>	(6,765)
<b>Held for trading financial assets</b>		
Realized gain on investments	<b>6,878</b>	8,018
Unrealized gain / (loss) on investments	<b>(2,567)</b>	1,572
<b>Cash, short term deposits and Sukuks</b>		
Commission income on HTM investments	<b>117</b>	-
Commission income	<b>23,878</b>	23,812
<b>Total</b>	<b>70,378</b>	51,312

**28. RISK MANAGEMENT**

**(a) Insurance risk**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 8% of total reinsurance assets at the reporting date.

**Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**28. RISK MANAGEMENT (CONTINUED)**

**a) Insurance risk (continued)**

**Concentration of insurance risk**

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

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

Since the Company operates majorly in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

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

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



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**28. RISK MANAGEMENT (CONTINUED)**

**Process used to decide on assumptions**

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 2(d)(i).

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

**Sensitivity analysis**

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact net underwriting income/(loss) as follows;

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**28. RISK MANAGEMENT (CONTINUED)**

**Sensitivity analysis (continued)**

	<b>Income from insurance operations</b>	
	<b>2022</b>	2021
	SAR '000	
<b>Impact of change in claim ratio by + 10%</b>		
Medical	<b>(13,079)</b>	(7,452)
Motor	<b>(12,034)</b>	(11,485)
Property	<b>(1,835)</b>	(267)
Energy	<b>(38)</b>	(12)
Engineering	<b>(321)</b>	(237)
Protection and Savings	<b>(9,560)</b>	(4,444)
Protection and Savings - Linked	<b>(66)</b>	-
Other	<b>(2,184)</b>	(1,928)
<b>Total</b>	<b>(39,117)</b>	(25,825)
<b>Impact of change in average claim cost + 10%</b>		
Medical	<b>(2,860)</b>	(187)
Motor	<b>(1,272)</b>	(1,830)
<b>Total</b>	<b>(4,132)</b>	2,017

A hypothetical 10% decrease in claim ratio, net of reinsurance, would have almost equal but opposite impact on net underwriting income.

**(a) Reinsurance risk**

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2022 and 2021, there is no significant concentration of reinsurance balances.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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**28. RISK MANAGEMENT (CONTINUED)**

**(b) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.
- There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. The Company maintains, diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

***Currency Risk***

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

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against the Saudi Arabian Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The currency exposures of available-for-sale, held for trading and held to maturity investments are set out below:

<b><u>Shareholders Operations</u></b>	<b>2022</b>	<b>2021</b>
	<b>SAR '000</b>	
Saudi Arabian Riyals and GCC currencies	<b>598,545</b>	289,589
<b>Total</b>	<b>598,545</b>	289,589

<b><u>Insurance Operations</u></b>	<b>2022</b>	<b>2021</b>
	<b>SAR '000</b>	
Saudi Arabian Riyals and GCC currencies	<b>148,346</b>	-
<b>Total</b>	<b>148,346</b>	-

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**28. RISK MANAGEMENT (CONTINUED)**

**(b) Market Risk (continued)**

***Commission Rate Risk***

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 50 basis points in interest yields would result in an increase or decrease in the profit for the year of SAR 3.82 million (2021: SAR 3.04 million).

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2022 and 2021 are as follows:

	Less than 1 year	More than 1 year	Non- commission bearing	Total
	SAR '000			
<b>Insurance Operations</b>				
<b>2022</b>	<b>373,888</b>	<b>261,293</b>	-	<b>635,181</b>
2021	251,659	112,948	-	364,607
<b>Shareholders Operations</b>				
<b>2022</b>	<b>155,000</b>	<b>298,456</b>	<b>400,453</b>	<b>853,909</b>
2021	-	312,315	397,973	710,288

***Other Price Risk***

Other price risk is the risk that the fair value or future cash flows of financial instruments 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's investments amounting to SAR 236.594 million (2021: SAR 308.481 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of a hypothetical change of a 10% increase and 10% decrease in the market prices of quoted investments on shareholders' comprehensive income would be as follows:

	Fair value change	Effect on Company's other comprehensive income
<b>December 31, 2022</b>	<b>+ / - 10%</b>	<b>+/- 23,659</b>
December 31, 2021	+ / - 10%	+/- 30,848

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2022 and 2021. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

**WALAA COOPERATIVE INSURANCE COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022****28. RISK MANAGEMENT (CONTINUED)****(c) Credit Risk**

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

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

	<u>2022</u>	<u>2021</u>
	<u>SAR '000</u>	
<b>Insurance operations' assets</b>		
Cash and cash equivalents	<b>424,128</b>	322,883
Short term deposits	<b>250,000</b>	201,659
Long term deposits	<b>50,000</b>	100,000
Investments	<b>211,293</b>	62,948
Unit Linked investments	<b>483,741</b>	-
Premiums and insurance balances receivable, net	<b>727,862</b>	582,129
Reinsurers' share of outstanding claims including IBNR	<b>472,808</b>	488,574
Reinsurers' share of mathematical reserves	<b>89,123</b>	123,696
Accrued commission income	<b>9,192</b>	2,000
Other assets	<b>270,849</b>	66,146
	<b>2,988,996</b>	1,950,035
<b>Shareholders' assets</b>		
Cash and cash equivalents	<b>110,093</b>	2,172
Short term deposits	<b>105,000</b>	-
Accrued income on statutory deposit	<b>17,246</b>	10,764
Accrued commission income	<b>7,976</b>	5,419
Investments	<b>698,909</b>	710,288
Statutory deposit	<b>85,058</b>	64,640
Other assets	<b>597</b>	213
	<b>1,024,879</b>	793,496
<b>Total</b>	<b>4,013,875</b>	2,743,531

**WALAA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**28. RISK MANAGEMENT (CONTINUED)**

**(c) Credit Risk (continued)**

*Concentration of credit risk*

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Insurance Operations assets	2022	2021	2022	2021	2022	2021
	Investment grade		Non-investment grade		Unrated	
	SAR '000					
Cash and cash equivalents	357,128	255,883	-	-	67,000	67,000
Short term deposits	250,000	201,659	-	-	-	-
Long term deposits	50,000	100,000	-	-	-	-
Investments	211,293	62,948	-	-	-	-
Unit linked investments	483,741	-	-	-	-	-
Premium and reinsurance balances receivable						
- Policyholders	-	-	-	-	609,518	543,916
- Due from related parties	-	-	-	-	67,051	5,823
- Reinsurance receivables	-	-	-	-	51,293	32,390
Reinsurers share of outstanding claims and IBNR	-	-	-	-	472,808	488,574
Reinsurers' share of mathematical reserves					89,123	123,696
Accrued commission income	9,192	2,000	-	-	-	-
Other assets	13,143	8,375	-	-	257,706	57,771
<b>Total</b>	<b>1,374,497</b>	<b>630,865</b>	<b>-</b>	<b>-</b>	<b>1,614,499</b>	<b>1,319,170</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**28. RISK MANAGEMENT (CONTINUED)**

**(c) Credit Risk (continued)**

*Concentration of credit risk (continued)*

Shareholders' assets	2022	2021	2022	2021	2022	2021
	Investment grade		Non-investment grade		Unrated	
	SAR '000					
Cash and cash equivalents	110,093	2,172	-	-	-	-
Short term deposits	105,000	-	-	-	-	-
Long term deposits	-	-	-	-	-	-
Accrued commission income	25,222	16,183	-	-	-	-
Investments	535,050	573,132	-	-	163,859	137,156
Statutory deposit	85,058	64,640	-	-	-	-
Other assets	-	-	-	-	597	213
<b>Total</b>	<b>860,423</b>	<b>656,127</b>	<b>-</b>	<b>-</b>	<b>164,456</b>	<b>137,369</b>

**(d) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

- The Company has a liquidity risk policy which sets 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 Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The table below summarizes the maturities of the Company's undiscounted contractual obligations relating to financial assets and liabilities:

ASSETS - INSURANCE OPERATIONS	2022			2021		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	SAR '000			SAR '000		
Cash and cash equivalents	424,128	-	424,128	322,883	-	322,883
Short term deposits	250,000	-	250,000	201,659	-	201,659
Long term deposits	-	50,000	50,000	50,000	50,000	100,000
Investments	483,741	211,293	695,034	-	62,948	62,948
Premiums and insurance balances receivable, net	727,862	-	727,862	582,129	-	582,129
Reinsurers' share of outstanding Claims, IBNR and Mathematical reserves	561,931	-	561,931	612,270	-	612,270
Accrued commission income	9,192	-	9,192	2,000	-	2,000
Other assets	270,849	-	270,849	66,146	-	66,146
<b>Total</b>	<b>2,727,703</b>	<b>261,293</b>	<b>2,988,996</b>	<b>1,837,087</b>	<b>112,948</b>	<b>1,950,035</b>

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**28. RISK MANAGEMENT (CONTINUED)**

**d) Liquidity Risk (continued)**

LIABILITIES – INSURANCE OPERATIONS	2022			2021		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
	SAR '000			SAR '000		
Outstanding claims, IBNR and mathematical reserves	953,773	-	953,773	870,514	-	870,514
Policyholders claims payables	270,519	-	270,519	47,658	-	47,658
Unit Linked Reserves	483,741	-	483,741	-	-	-
Accrued expenses and other liabilities	305,957	-	305,957	188,568	-	188,568
Reinsurance balances payables	452,929	-	452,929	335,026	-	335,026
End-of-service indemnities	-	26,445	26,445	-	21,982	21,982
Surplus distribution payable	9,100	-	9,100	2,148	-	2,148
<b>Total</b>	<b>2,476,019</b>	<b>26,445</b>	<b>2,502,464</b>	<b>1,443,914</b>	<b>21,982</b>	<b>1,465,896</b>

**Maturity profile**

ASSETS - SHAREHOLDERS' OPERATIONS	2022				
	Carrying amount	Up to 1 year	1-5 years	5 years and above	Total
	SAR '000				
Cash and cash equivalents	110,093	110,093	-	-	110,093
Accrued income	25,222	25,222	-	-	25,222
Short term deposits	105,000	105,000	-	-	105,000
Investments	698,909	395,355	198,831	104,723	698,909
Statutory deposit	85,058	-	-	85,058	85,058
Other assets	597	597	-	-	597
<b>Total</b>	<b>1,024,879</b>	<b>636,267</b>	<b>198,831</b>	<b>189,781</b>	<b>1,024,879</b>
LIABILITIES - SHAREHOLDERS' OPERATIONS					
Accrued and other liabilities	3,736	3,736	-	-	3,736
Accrued commission income payable to SAMA	17,246	17,246	-	-	17,246
<b>Total</b>	<b>20,982</b>	<b>20,982</b>	<b>-</b>	<b>-</b>	<b>20,982</b>
	<b>1,003,897</b>	<b>615,285</b>	<b>198,831</b>	<b>189,781</b>	<b>1,003,897</b>
ASSETS - SHAREHOLDERS' OPERATIONS	2021				
	Carrying amount	Up to 1 year	1-5 years	5 years and above	Total
	SAR '000				
Cash and cash equivalents	2,172	2,172	-	-	2,172
Accrued income	16,183	16,183	-	-	16,183
Investments	710,288	454,909	149,999	105,380	710,288
Statutory deposit	64,640	-	-	64,640	64,640
Other assets	213	213	-	-	213
<b>Total</b>	<b>793,496</b>	<b>473,477</b>	<b>149,999</b>	<b>170,020</b>	<b>793,496</b>
LIABILITIES - SHAREHOLDERS' OPERATIONS					
Accrued and other liabilities	2,134	2,134	-	-	2,134
Accrued commission income payable to SAMA	10,764	10,764	-	-	10,764
<b>Total</b>	<b>12,898</b>	<b>12,898</b>	<b>-</b>	<b>-</b>	<b>12,898</b>
	<b>780,598</b>	<b>460,579</b>	<b>149,999</b>	<b>170,020</b>	<b>780,598</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**28. RISK MANAGEMENT (CONTINUED)**

**d) Liquidity Risk (continued)**

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

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

- Accrued investment income is expected to be realized within 1 to 3 months from statement of financial position's date.
- Deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with maturity of less than 3 months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to property and casualty segment and are generally realized within 3 to 6 months based on settlement of balances with reinsurers.

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

- Reinsurers' balances payable for treaty arrangements are settled on a quarterly basis as per the terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to settle in accordance with statutory timelines for payment subject to completion of the required information. Property and casualty policies due to the inherent nature are generally settled within one month from the date of receipt of loss adjustor's final report.
- The policyholders claims payable, accrued expenses and other liabilities are expected to settle within a period of 3 months from the period end date.
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved.

**e) Operational Risk**

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

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

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

Senior Management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**29. SUPPLEMENTARY INFORMATION**

	December 31, 2022			December 31, 2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000			SAR '000		
<b>ASSETS</b>						
Cash and cash equivalents	<b>424,128</b>	<b>110,093</b>	<b>534,221</b>	322,883	2,172	325,055
Short term deposits	<b>250,000</b>	<b>105,000</b>	<b>355,000</b>	201,659	-	201,659
Long term deposits	<b>50,000</b>	-	<b>50,000</b>	100,000	-	100,000
Premiums and reinsurers' receivable – net	<b>727,862</b>	-	<b>727,862</b>	582,129	-	582,129
Reinsurers' share of unearned Premiums	<b>616,806</b>	-	<b>616,806</b>	538,598	-	538,598
Reinsurers' share of outstanding claims	<b>291,813</b>	-	<b>291,813</b>	338,919	-	338,919
Reinsurers' share of claims incurred but not reported	<b>180,995</b>	-	<b>180,995</b>	149,655	-	149,655
Reinsurers' share of mathematical reserves	<b>89,123</b>	-	<b>89,123</b>	123,696	-	123,696
Deferred policy acquisition Costs	<b>51,236</b>	-	<b>51,236</b>	36,476	-	36,476
Investments	<b>211,293</b>	<b>698,909</b>	<b>910,202</b>	62,948	710,288	773,236
Unit-linked investments	<b>483,741</b>	-	<b>483,741</b>	-	-	-
Due from insurance / shareholders' operations	<b>10,827</b>	-	<b>10,827</b>	-	4,437	4,437
Prepaid expenses and other assets	<b>311,200</b>	<b>597</b>	<b>311,797</b>	97,188	213	97,401
Property and equipment	<b>32,061</b>	-	<b>32,061</b>	30,969	-	30,969
Intangible assets	<b>5,295</b>	<b>87,562</b>	<b>92,857</b>	5,182	32,531	37,713
Goodwill	-	<b>24,415</b>	<b>24,415</b>	-	24,415	24,415
Statutory deposit	-	<b>85,058</b>	<b>85,058</b>	-	64,640	64,640
Accrued income on statutory deposit	-	<b>17,246</b>	<b>17,246</b>	-	10,764	10,764
Accrued commission income	<b>9,192</b>	<b>7,976</b>	<b>17,168</b>	2,000	5,419	7,419
<b>TOTAL ASSETS</b>	<b>3,745,572</b>	<b>1,136,856</b>	<b>4,882,428</b>	<b>2,592,302</b>	<b>854,879</b>	<b>3,447,181</b>

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**29. SUPPLEMENTARY INFORMATION (CONTINUED)**

	December 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR '000			SAR '000		
<b>LIABILITIES</b>						
Policyholders claims payables	270,519	-	270,519	47,658	-	47,658
Accrued and other liabilities	305,957	3,736	309,693	188,568	2,134	190,702
Reinsurers' balances payable	452,929	-	452,929	335,026	-	335,026
Unearned premiums	1,182,003	-	1,182,003	1,074,103	-	1,074,103
Unearned reinsurance commission	46,085	-	46,085	31,258	-	31,258
Outstanding claims	546,399	-	546,399	480,616	-	480,616
Claims incurred but not reported	317,579	-	317,579	266,202	-	266,202
Gross mathematical reserves	89,795	-	89,795	123,696	-	123,696
Additional premium reserves	7,763	-	7,763	9,054	-	9,054
Other technical reserves	7,120	-	7,120	7,701	-	7,701
Unit-linked reserves	483,741	-	483,741	-	-	-
End-of-service indemnities	26,445	503	26,948	21,982	-	21,982
Zakat and income tax	-	45,231	45,231	-	31,208	31,208
Accrued commission income payable to SAMA	-	17,246	17,246	-	10,764	10,764
Due to insurance / shareholders' operations	-	10,827	10,827	4,437	-	4,437
Insurance operations' surplus	9,100	-	9,100	2,148	-	2,148
<b>TOTAL LIABILITIES</b>	<b>3,745,435</b>	<b>77,543</b>	<b>3,822,978</b>	<b>2,592,449</b>	<b>44,106</b>	<b>2,636,555</b>
<b>EQUITY</b>						
Share capital	-	850,583	850,583	-	646,397	646,397
Share premium	-	193,119	193,119	-	103,277	103,277
Statutory reserve	-	63,327	63,327	-	63,327	63,327
Accumulated losses	-	(68,114)	(68,114)	-	(40,750)	(40,750)
Fair value reserve on investments	-	20,398	20,398	-	38,522	38,522
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>1,059,313</b>	<b>1,059,313</b>	<b>-</b>	<b>810,773</b>	<b>810,773</b>
Re-measurement reserve for end-of-service indemnities – related to insurance operations	137	-	137	(147)	-	(147)
<b>TOTAL EQUITY</b>	<b>137</b>	<b>1,059,313</b>	<b>1,059,450</b>	<b>(147)</b>	<b>810,773</b>	<b>810,626</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,745,572</b>	<b>1,136,856</b>	<b>4,882,428</b>	<b>2,592,302</b>	<b>854,879</b>	<b>3,447,181</b>

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**29. SUPPLEMENTARY INFORMATION (CONTINUED)**

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
<b>REVENUES</b>						
Gross premiums written						
- Direct	2,536,611	-	2,536,611	2,233,486	-	2,233,486
- Reinsurance	105,321	-	105,321	105,348	-	105,348
	<b>2,641,932</b>	<b>-</b>	<b>2,641,932</b>	<b>2,338,834</b>	<b>-</b>	<b>2,338,834</b>
Reinsurance premiums ceded						
- Local ceded	(24,402)	-	(24,402)	(16,519)	-	(16,519)
- Foreign ceded	(1,281,520)	-	(1,281,520)	(1,166,610)	-	(1,166,610)
	<b>(1,305,922)</b>	<b>-</b>	<b>(1,305,922)</b>	<b>(1,183,129)</b>	<b>-</b>	<b>(1,183,129)</b>
Excess of loss expenses	(8,584)	-	(8,584)	(5,144)	-	(5,144)
<b>Net premiums written</b>	<b>1,327,426</b>	<b>-</b>	<b>1,327,426</b>	<b>1,150,561</b>	<b>-</b>	<b>1,150,561</b>
Changes in unearned premium	(85,518)	-	(85,518)	(284,139)	-	(284,139)
Changes in reinsurers' share of unearned premiums	61,442	-	61,442	175,108	-	175,108
<b>Net premiums earned</b>	<b>1,303,350</b>	<b>-</b>	<b>1,303,350</b>	<b>1,041,530</b>	<b>-</b>	<b>1,041,530</b>
Reinsurance commissions	79,052	-	79,052	76,162	-	76,162
Other underwriting income	41,526	-	41,526	3,634	-	3,634
<b>TOTAL REVENUES</b>	<b>1,423,928</b>	<b>-</b>	<b>1,423,928</b>	<b>1,121,326</b>	<b>-</b>	<b>1,121,326</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	1,277,071	-	1,277,071	1,005,078	-	1,005,078
Surrenders and maturities	43,658	-	43,658	17,447	-	17,447
Expenses incurred related to claims	41,320	-	41,320	20,175	-	20,175
Reinsurers' share of claims paid	(299,094)	-	(299,094)	(147,905)	-	(147,905)
<b>Net claims and other benefits paid</b>	<b>1,062,955</b>	<b>-</b>	<b>1,062,955</b>	<b>894,795</b>	<b>-</b>	<b>894,795</b>
Changes in outstanding claims	(25,020)	-	(25,020)	247,118	-	247,118
Changes in reinsurers' share of outstanding claims	114,722	-	114,722	(176,028)	-	(176,028)
Changes in IBNR	1,240	-	1,240	95,225	-	95,225
Changes in reinsurers' share of IBNR	7,728	-	7,728	(91,955)	-	(91,955)
<b>Net claims and other benefits incurred</b>	<b>1,161,625</b>	<b>-</b>	<b>1,161,625</b>	<b>969,155</b>	<b>-</b>	<b>969,155</b>
Additional premium reserves	(1,336)	-	(1,336)	(16,956)	-	(16,956)
Other technical reserves	(1,298)	-	(1,298)	(941)	-	(941)
Change in mathematical reserves, net	672	-	672	-	-	-
Changes in unit-linked reserves	(14,899)	-	(14,899)	-	-	-
Policy acquisition costs	87,401	-	87,401	60,119	-	60,119
Other underwriting expenses	132,353	-	132,353	105,962	-	105,962
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>1,364,318</b>	<b>-</b>	<b>1,364,318</b>	<b>1,117,339</b>	<b>-</b>	<b>1,117,339</b>
<b>NET UNDERWRITING INCOME</b>	<b>59,410</b>	<b>-</b>	<b>59,410</b>	<b>3,987</b>	<b>-</b>	<b>3,987</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**29. SUPPLEMENTARY INFORMATION (CONTINUED)**

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Allowance for doubtful debts	(5,033)	-	(5,033)	(17,198)	-	(17,198)
General and administrative expenses	(159,097)	(18,168)	(177,265)	(139,248)	(11,650)	(150,898)
Commission income on investments	13,026	10,969	23,995	10,408	13,404	23,812
Dividend income on investments	-	12,308	12,308	-	9,601	9,601
Impairment on AFS investments	-	(800)	(800)	-	(6,765)	(6,765)
Realized gain on AFS investments	-	30,564	30,564	-	15,074	15,074
Realized gain on HFT investments	-	6,878	6,878	-	8,018	8,018
Change in Fair Value of PH AUM - Linked	(12,892)	-	(12,892)	-	-	-
Bargain Purchase Gain	-	49,677	49,677	-	-	-
Unrealized gain/ (loss) on HFT investments	-	(2,567)	(2,567)	-	1,572	1,572
<b>TOTAL OTHER OPERATING (EXPENSES) / INCOME</b>	<b>(163,996)</b>	<b>88,861</b>	<b>(75,135)</b>	<b>(146,038)</b>	<b>29,254</b>	<b>(116,784)</b>
<b>Total (loss)/ income for the year before zakat &amp; income tax and surplus contribution</b>	<b>(104,586)</b>	<b>88,861</b>	<b>(15,725)</b>	<b>(142,051)</b>	<b>29,254</b>	<b>(112,797)</b>
Zakat	-	(11,153)	(11,153)	-	(9,257)	(9,257)
Income tax	-	(486)	(486)	-	-	-
<b>NET (LOSS)/ INCOME FOR THE YEAR</b>	<b>(104,586)</b>	<b>77,222</b>	<b>(27,364)</b>	<b>(142,051)</b>	<b>19,997</b>	<b>(122,054)</b>
Surplus transferred to Shareholders	104,586	(104,586)	-	142,051	(142,051)	-
<b>NET RESULTS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS</b>	<b>-</b>	<b>(27,364)</b>	<b>(27,364)</b>	<b>-</b>	<b>(122,054)</b>	<b>(122,054)</b>
<b>Weighted average number of shares</b>		<b>68,779</b>			<b>64,640</b>	
<b>Loss per share (Expressed in SAR per share):</b>						
Basic and diluted EPS		<b>(0.40)</b>			<b>(1.89)</b>	

**WALAA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**29. SUPPLEMENTARY INFORMATION (CONTINUED)**

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
Total loss for the year	-	(27,364)	(27,364)	-	(122,054)	(122,054)
<b>Other comprehensive income/ (loss)</b>						
<i>Items that will not be reclassified to consolidated statement of income in subsequent years</i>						
-Actuarial gain for end-of-service indemnities	284	-	284	913	-	913
<i>Items that are or may be reclassified to consolidated statement of income in subsequent years</i>						
- Available for sale investments:						
- Net change in fair value	-	12,440	12,440	-	31,607	31,607
- Net amounts transferred to statement of income	-	(30,564)	(30,564)	-	(15,074)	(15,074)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	<b>284</b>	<b>(45,488)</b>	<b>(45,204)</b>	<b>913</b>	<b>(105,521)</b>	<b>(104,608)</b>

**WALAA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**29. SUPPLEMENTARY INFORMATION (CONTINUED)**

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net loss for the year before zakat and income tax	-	(15,725)	(15,725)	-	(112,797)	(112,797)
Adjustments for non-cash items:						
Depreciation of property and Equipment	6,611	-	6,611	8,676	-	8,676
Amortization of intangible assets	2,421	589	3,010	1,302	602	1,904
Allowance for doubtful debts	5,033	-	5,033	17,198	-	17,198
Dividends	-	(12,308)	(12,308)	-	(9,601)	(9,601)
Commission income on investments	(13,026)	(10,969)	(23,995)	(10,408)	(13,404)	(23,812)
Gain on disposal of AFS investments	-	(30,564)	(30,564)	-	(15,074)	(15,074)
Gain on disposal of HFT investments	-	(6,878)	(6,878)	-	(8,018)	(8,018)
Bargain Purchase Gain	-	(49,677)	(49,677)	-	-	-
Amortization of HTM investments	-	22	22	-	258	258
Impairment on investments	-	800	800	-	6,765	6,765
Exchange loss on investments	-	6,453	6,453	-	-	-
Unrealized loss on held for trading investments	-	2,567	2,567	-	(1,572)	(1,572)
Provision for end-of-service Indemnities	4,134	-	4,134	3,728	-	3,728
Lease Finance cost	694	-	694	76	-	76
<b>Changes in operating assets and liabilities:</b>						
Premiums and reinsurers' receivable	(55,703)	-	(55,703)	(269,022)	-	(269,022)
Reinsurers' share of unearned Premiums	(61,442)	-	(61,442)	(175,108)	-	(175,108)
Reinsurers' share of outstanding Claims	114,722	-	114,722	(176,028)	-	(176,028)
Reinsurers' share of claims incurred but not reported	7,728	-	7,728	(91,955)	-	(91,955)
Reinsurers' share of mathematical reserves	34,573	-	34,573	15,263	-	15,263
Deferred policy acquisition costs	(12,772)	-	(12,772)	(11,121)	-	(11,121)
Prepaid expenses and other Assets	(208,935)	(265)	(209,200)	(7,137)	(21)	(7,158)
Policyholders claims payables	222,861	-	222,861	12,864	-	12,864
Accrued and other liabilities	91,554	(2,913)	88,641	35,219	1,894	37,113
Reinsurers' balances payable	26,469	-	26,469	102,212	-	102,212
Unearned premiums	85,518	-	85,518	284,139	-	284,139
Unearned reinsurance Commission	11,232	-	11,232	10,786	-	10,786
Outstanding claims	(25,020)	-	(25,020)	247,118	-	247,118
Claims incurred but not reported	1,240	-	1,240	95,225	-	95,225
Gross mathematical reserves	(33,901)	-	(33,901)	(15,263)	-	(15,263)
Additional premium reserves	(1,336)	-	(1,336)	(16,956)	-	(16,956)
Other technical reserves	(1,298)	-	(1,298)	(941)	-	(941)
Surplus distribution payable	(1,283)	-	(1,283)	-	-	-
	<b>200,074</b>	<b>(118,868)</b>	<b>81,206</b>	<b>59,867</b>	<b>(150,968)</b>	<b>(91,101)</b>
End-of-service indemnities paid	(2,476)	-	(2,476)	(2,557)	-	(2,557)
Zakat and income tax paid	-	(3,338)	(3,338)	-	(6,913)	(6,913)
<b>Net cash (used in)/ generated from operating activities</b>	<b>197,598</b>	<b>(122,206)</b>	<b>75,392</b>	<b>57,310</b>	<b>(157,881)</b>	<b>(100,571)</b>

**WALAA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**29. SUPPLEMENTARY INFORMATION (CONTINUED)**

	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
	SAR '000			SAR '000		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of available for sale investments	-	(59,896)	(59,896)	-	(178,048)	(178,048)
Disposals of available for sale investment	-	126,924	126,924	-	119,726	119,726
Purchase/(sales) of held for trading Investments, net	-	10,754	10,754	-	(76,778)	(76,778)
Purchase of investments held at amortized cost	(138,491)	36,173	(102,318)	(62,948)	(25,224)	(88,172)
Additions in intangible assets	(2,534)	43	(2,491)	(4,077)	-	(4,077)
Commission income received on investments	6,138	9,759	15,897	8,408	11,867	20,275
Dividend received on investments	-	12,308	12,308	-	9,601	9,601
Disposals of short-term deposits (Additions)/ Disposals in long term deposits	11,725	19,987	31,712	(151,659)	167,274	15,615
(Additions)/ Disposals in property and equipment	50,000	-	50,000	(100,000)	50,000	(50,000)
Cash and cash equivalents acquired through business combination	(4,807)	-	(4,807)	(26,479)	-	(26,479)
	22,409	22,964	45,373	-	-	-
<b>Net cash generated from / (used in ) investing activities</b>	<b>(55,560)</b>	<b>179,016</b>	<b>123,456</b>	<b>(336,755)</b>	<b>78,418</b>	<b>(258,337)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Due from/ to shareholders*/ insurance operations	(37,529)	37,529	-	(81,635)	81,635	-
Net change in statutory deposits	-	13,582	13,582	-	-	-
Lease liability paid	(3,264)	-	(3,264)	(3,334)	-	(3,334)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(40,793)</b>	<b>51,111</b>	<b>10,318</b>	<b>(84,969)</b>	<b>81,635</b>	<b>(3,334)</b>
<b>Net change in cash and cash Equivalents</b>	<b>101,245</b>	<b>107,921</b>	<b>209,166</b>	<b>(364,414)</b>	<b>2,172</b>	<b>(362,242)</b>
Cash and cash equivalents, beginning of the year	322,883	2,172	325,055	687,297	-	687,297
<b>Cash and cash equivalents, end of the year</b>	<b>424,128</b>	<b>110,093</b>	<b>534,221</b>	<b>322,883</b>	<b>2,172</b>	<b>325,055</b>

**NON-CASH INFORMATION**

Changes in fair value of available for sale investments	-	(18,124)	(18,124)	-	16,533	16,533
Actuarial gain for end-of-service indemnities	284	-	284	913	-	913
Right of use assets	2,896	-	2,896	6,304	-	6,304

**30. COMPARATIVE FIGURES**

Certain prior year figures have been reclassified to conform to current year presentation.

**31. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the board of directors on 29 Sha'ban 1444H, corresponding to March 21, 2023.