43 ANNUAL REPORT

Commercial Registration No. (24982)
Insurance Registration No. (4)
Company established October 24th, 1976
KSE Code (WINS)

WARBA INSURANCE
وربـــــــــة للتأمـــين

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H.H. Sheikh Nawaf AL-Ahmad Al-Jaber Al-Sabah

The Amir Of The State Of Kuwait

H.H. Sheikh Mishal AL-Ahmad Al-Jaber Al-Sabah

The Crown Prince Of The State Of Kuwait

CONTENTS

OUR VISION AND MISSION EMANATE FROM OUR CORE VALUES

Our Vision

To confirm our position as the most preferable partner.

Our Mission

To redefine the principle of success as the art of working together.

Our Values

- Credibility
- Integrity
- Transparency

Ordinary General Assembly of Warba Insurance Company (K.K.P.)

For the Fiscal Year Ending in 31 December 2021

AGENDA

1) Discussing and approving the Board of Directors' report on the Warba's activity and financial position for the fiscal year ending in 31 December 2021.
2) Reading and approving the Corporate Governance Report, Audit Committee Report and Risk Committee Report for the fiscal year ending in 31 December 2021.
3) Discussing and approving the report of the external auditors for the fiscal year ending in 31 December 2021.
4) Discussing and approving the Nomination and Remuneration Committee's report on the remunerations, benefits and salaries of the members of the Board of Directors and the Executive Management for the fiscal year ending in 31 December 2021.
5) Reviewing any violations detected by the regulatory authorities for the fiscal year ending in 31 December 2021 (if any).
6) Approving the final financial statements and balance sheet for the fiscal year ending in 31 December 2021.
7) Discussing the internal control report for the fiscal year ending in 31 December 2021.
8) Approving the Board of Directors' recommendation to distribute cash dividends to shareholders at the rate of ten percent (10%) of the share's nominal value, at the rate of ten (10) fils per share, after deducting treasury shares, for the fiscal year ending in 31 December 2021, for shareholders registered in Warba's records at the end of the day of entitlement, as determined to be on the fifteenth days after the assembly meeting, provided that the distribution of these profits to shareholders entitled thereto shall start as of the fifth day from the due date thereof.
9) Approving the Board of Directors' recommendation to pay remunerations to members of the Board of Directors in the amount of KD (137,500) in return for the work they carry out in the Company and for attending committees, where that remuneration shall be included in the relevant record granted to the Board of Directors and its members and approved by the General Assembly for the fiscal year ending in 31 December 2021.
10) Releasing the Board members from liability for all issues related to their legal, financial and administrative actions, for the fiscal year ending in 31 December 2021, and ratifying that release.
11) Authorizing and approving the Board of Directors to buy or sell the Warba's shares, not exceeding 10% of the number of its shares, in accordance with the articles of Law No. (07/2010 and its Executive Regulations, as amended.
12) Reviewing and approving the transactions concluded with related parties for the fiscal year ending in 31 December 2021and authorizing the Board of Directors to deal with related parties that will take place during the fiscal year ending in 31 December 2022.
13) Electing the Board members for the next three years (2022-2024), in application of Articles (16) and (17) of the Memorandum of Association and Articles of Association.
14) Appointing or re-appointing auditors from those included in the list approved by the Capital Markets Authority, taking into account the period of mandatory change of auditors for the fiscal year ending in 31 December 2022 and authorizing the Board of Directors to determine and approve their fees.

Anwar Jawad Bukhamseen

Chairman of Board of Directors

WARBA INSURANCE
BOARD OF DIRECTORS

AS OF 31 DECEMBER 2021

Mr. Anwar Jawad Bukhamseen
Chairman
Non-Executive

Sheikh/ Mohammad Al-Jarrah Al-Sabah
Vice Chairman
Non-Executive

Mr. Raed Jawad Bukhamseen
Board Member
Non-Executive

Mr. Hazem Ali Al-Mutairi
Board Member
Non-Executive

Mr. Rifat Ghalayini
Board Member
Non-Executive

Mr. Rafid Al-Rifai
Board Member
Independent

Mr. Mohammad Al-Mubaraki
Board Member
Independent

Board of Directors Report

For the Fiscal Year Ending 31 December 2021

In the name of Allah the Most Merciful and Compassionate

Honorable Shareholders,

For myself, as Chairman of the Board of Directors, and on behalf of my brothers The Board Members, I am pleased and honored to present you 2021 Annual Report of Warba Insurance Company, wishing you continued health and wellness and praying for continued stability and prosperity our beloved country, Kuwait.

I welcome you to your second home, Warba Insurance Company, in the shareholders' Forty-Third Ordinary General Meeting. We began this meeting by expressing our gratitude and praise to Allah Almighty for enabling us maintaining the trust you shouldered us with, so as to achieve what is hoped from us in sustaining the Company's prosperity and growth, through achieving our goals, strategies and fruitful work plans, developing our businesses and increasing and diversifying their profitability.

Warba Insurance Company has proven its long-standing, solid and distinguished performance in the face of local and global challenges, despite the exceptional circumstances that the world has witnessed over the past three years, demonstrating efficiency, excellence and strength of its business model and the ability of the Board of Directors and its executive and supervisory body to face challenges and manage crises. Year 2021 was the starting point, where Warba started to switch to the state-of-the-art technology systems in insurance sector to keep pace with the latest systems in force in the insurance industry. The Company has also sustained its path of success in implementing its investment plan for nine (9) consecutive years, achieving remarkable progress in enhancing its insurance portfolio, as well as carrying, diversifying and developing its insurance services, while strengthening the supervisory role in all technical, operational and financial activities, which reflects the Company's credibility in fulfilling its obligations towards customers, success partners and shareholders, despite the industry's local and global challenges, particularly the crisis of Corona pandemic since 2019.

International institutions have confirmed that Corona crisis, in its severity and its economic and social repercussions, has exceeded all previous crises that the world has witnessed (whether the Great Depression of 1929-1932 or the global financial crisis of 2008-2009), as it is the first time that a crisis has hit all economies of the world and all sectors simultaneously. It is also the first time any crisis to hit both sides of supply and demand, impacting global supply chains and halting manufacturing activity, yielding in wages declining, high unemployment rates and increasing uncertainties.

At the local level, and as a result of several local challenges and the global pandemic, the sovereign rating of the State of Kuwait was reduced several times during 2020 and 2021.

On 26/03/2020, the sovereign credit rating of the State of Kuwait was lowered from (AA) to (AA-), according to the report of the international rating agency Standard & Poor's, due to the drop in oil prices, which resulted in decreasing the level of liquidity, as well as slowing down restructuring procedures.

On 17/07/2020, the future outlook for Kuwait's sovereign credit rating, according to the S&P's report, was lowered from stable to negative due to exhausting the fair-value liquidity of the state.

On 16/07/2021, the future outlook of Kuwait's sovereign credit rating was lowered from (AA-) to (A+) from (AA-) to (A+), according to the S&P's report, due to the shortcomings in the state's comprehensive financing strategy.

This is in addition to other economic challenges and exposures facing the national economy

Although the global economy's recovery is still underway during 2021 since the emergence of Corona pandemic and over three consecutive years, where analyzes monitored the ability of global economy during the year to withstand the repercussions of Covid-19 pandemic and to achieve the ability to transform from the downturn recorded in 2020 to growth rates supported by optimistic estimates of returning to the pre-Covid-19 growth levels. Energy prices started to rise again to exceed $73 aper barrel, compared to $48 at the end of 2020, and about $66 per barrel at the end of 2019. Global economy achieved a growth of 3% during 2019, while it recorded a contraction of 3.5% during 2020, while expectations indicate a growth between 4% to 6% during 2022, compared to global output in 2021.

The pioneering management of the State of Kuwait for Covid-19 crisis was quick and decisive, where all strict containment and health support measures taken to combat the crisis led to reducing death cases despite the waves of infection outbreaks. The fiscal, monetary and financial support measures provided by the government and the Central Bank of Kuwait have eased the burdens on families, institutions and financial sector, which reduced the damage caused by the pandemic. Thanks to the strong efforts exerted by the authorities with regard to vaccination, about 77.34% of the target population have received at least partial vaccination and more than 74.68% have received full vaccination until the end of December 2021. The rate of infection slowed down significantly, which allowed for a recovery in the economic activity.

Kuwaiti economy has witnessed a gradual recovery from the pandemic's impacts, with the continued rise in oil prices compared to previously expected levels, a relative reduction in government spending and an increase in total revenues by 80% on an annual basis, due to the rise in oil revenues, achieving the equivalent of 88% of the general budget estimates of revenues for the year. This is mainly attributable to the increase in export price of Kuwaiti crude by 104% on an annual basis, as well as the increase in non-oil revenues by 47% on an annual basis. Kuwaiti financial sector succeeded in overcoming the crisis, benefiting from the prudent regulatory and supervisory measures on the part of the Bank of Kuwait central.

At the level of insurance industry, which is one of the difficult industries, if not the most difficult due to the accumulation of companies operating in the sector and the scarcity of expertise, the confinement of insurance culture to the auto and health insurance and some investors' taking insurance industry as an umbrella to avoid falling under the supervision of the Central Bank, which is one of the strongest supervisory authorities in Kuwait's financial sector and to evade the supervision of the Capital Markets Authority, which is limited to listed companies and persons authorized to deal in securities and investment companies in the absence of a similar supervisory authority specialized in insurance and supervision, as well as some unlicensed insurance brokers controlling the insurance market, exaggerating commission rates and manipulating prices, the level of insurance services has been affected and insurance industry has declined.

With the absence of a supervisory mechanism that obligates insurance companies to fulfill their obligations and standardize the method of calculating technical and capital allocations, accounting policies used in indicating financial results varied and some companies were able to show false profits by reducing capital and technical reserves and not committing to calculating the necessary provisions to ensure the continuity of insurance services provision and risks coverage according to contract terms, in addition to the preservation of policyholders' rights, in addition to decline in insurance awareness, which enabled some companies to manipulate prices at the expense of credibility, the level of service and fulfillment of obligations. This also harmed the interests of both the insured and the shareholders.

In view of the above and other challenges and in keenness of the interest of the state and maximizing the return from the insurance industry to national economy, as well as increasing the per capita share therefrom, since the total direct premiums in 2024 are expected to reach $2 billion, with a growth factor of 8.2% for the years 2019 to 2024m yet, as previously mentioned, the per capita share does not exceed 1.2% of the return from the insurance industry. As known, the profitability of the companies operating in the insurance sector depends on the return on investment and the coverage of insurance business losses from investment profits in most cases.

Therefore, the issuance of the new Insurance Law No. 125/2019 and the establishment of the Insurance Control Unit are among the key economic resolutions issued in 2019, which are enforced as of years 2021 and 2022, with expectations to have the greatest impact on the development of insurance industry.

The positive impact of the implementation of that law has become evident with the issuance of its Executive Regulations in March 2021, which is deemed a first step in a long, unpaved path towards the development of that important industry.

The Law and its Executive Regulations have tied up many hands tampering with the industry, decreased the pitfalls and filled the gaps that were not taken into account by the previous law for about 60 years. The importance of the existence of an independent entity, expert in insurance, is for the development and enrichment of that industry. Oversight is the backbone of any industry and it is a means of organizing business. Kuwait, as a leading country that has its global and local standing, deserves that everyone should contribute in its field to maximize profitability, fill the gaps, implement laws and adhere to legislative decisions. This will only attainable with the existence of an independent unit that organizes the work of insurance industry and monitors the application of the Law and its Executive Regulations, as well as the complementary and implementing decisions.

It is worth noting that, in a very short time, the Unit has set a strategy for implementing the provisions of the Insurance Law and has initiated plans to implement controls for practicing insurance and reinsurance business, subject to the Law, for all companies operating in the insurance and reinsurance industry, brokers, insurance professionals, medical claims managers and other operators and shareholders in the insurance industry, as well as unifying the database and insurance records, reviewing service fees and company licenses, which have remained the same for decades and have harmed the national income.

The Unit has also organized the work of the Complaints Committee, which tasks includes monitoring the provision of insurance services, verifying complaints submitted by policyholders, preparing the necessary reports with recommendations to issue the necessary corrective decisions and ensuring that policyholders obtain the services subject to contract.

The Unit has also monitored the obligations relating to the conduct of life insurance operations, formation of funds, activation of the role of money laundering risks and update of combating money laundering rules.

The Unit has also enriched the insurance industry by introducing the AeroSoft system to automatically link between the Unit and the records of companies operating in insurance sector, which is a promising step for developing and activating the supervisory role.

The year 2021 has witnessed the Insurance Regulatory Unit's pursing its role in managing and regulating all the insurance sector's work in the State of Kuwait, so as to keep pace with the best practices and requirements of the global insurance market, through the issuance of (48) resolutions and (9) circulars pertaining to regulation and organization during the year 2021, the most prominent of which was the issuance of the Executive Regulation of the Insurance Regulation Law No. 125/2019, updating the models enforced in the sector and facilitating and organizing business through modern digital systems.

Warba has confirmed its commitment to applying laws and reducing risks by implementing the policies and procedures approved by the Board of Directors and its distinguished supervisory sector.

During 2021, Warba continued its work through its plan approved for business continuity, crisis management and risk reduction, in addition to its commitment to the measures adopted in the state. Warba has been keen to undertake group campaigns to vaccinate all its employees, in order to maintain the health of its staff and clients, as it deems those employees its crucial fixed asset and pillar for ensuring the continuity and progress of business, in addition to the Company's concern about its customers and their daily dealings with its employees, in addition to the need to keep applying the preventive and precautionary measures and procedures in accordance with international and local recommendations, to reduce infection, with periodical and continuous alert and raise of awareness to the need to adhere to those procedures.

The Company has also supported modern remote work techniques as much as possible, through secured information channels, to provide services with the same levels of efficiency and quality as usual, to overcome all difficulties and to facilitate business for its valued customers, even among Warba's work teams.

The Company was able to achieve "Warba Vision 2021" by more than 95%, which contributed to the fundamental transformation of the Company's performance at all levels, starting with the development of policies, procedures and strategies regulating its business through the Board of Directors and committees emanating therefrom and ending with full compliance with the road map set to achieve the strategic objectives determined on scientific grounds and in accordance with the best practices and global experiences, as well as through distinguished cadres that undertake the implementation of those strategies. Warba reaps the fruits of achieving that Vision and continuous hard work.

Despite the economic repercussions of the Covid-19 pandemic that cast a shadow on all sectors and businesses globally and locally, yet the wise measures, strategic plans and decisions adopted by Warba Board of Directors have greatly mitigated these impacts on the Company's business and growth, and even constituted a motivation and an incentive to achieve its goals, plans and strategies, as well as to raise performance rates, which was positively reflected on the Company's interim and final indicators and results during the year 2021, which indicates the solidity and strength of Warba's solvency and its great ability to face crises and overcome obstacles, whatever their effects and consequences may be.

Warba has also continued to adhere to the implementation of its policy, which is set and approved in accordance with the highest international standards and depends on exiting from businesses with low profitability and high risks and moving forward with businesses of high profitability and low risks, at the levels of operational business (insurance and reinsurance) and investment business, which resulted in the Company achieving outstanding results on all levels.

First: Key Financial Indicators:

During the year 2021, Warba Insurance Company continued to achieve exceptional financial results, as follows:

- Increase in Warba's net profit for the shareholders of the parent company by 28.6%, with a value of KD 2,343,147 KD in 2021, compared to a profit of KD 1,822,172 KD in the year 2020.
- Gross written premiums increased by 11.7%, where it amounted in 2021 to KD 34,211,716, compared to KD 30,632,653 in 2020.
- Increase in net written premiums by 17.9%, where it amounted to KD 18,797,894 in 2021, compared to KD 15,941,122 in 2020.
- Earned net premiums increased by 12.7%, amounting to KD 17,964,303 in 2021, compared to KD 15,937,686 in 2020.
- Cash and cash equivalents increased by 29.9%, amounting to KD 7,445,592 in 2021, compared to KD 5,733,749 in 2020.
- Parent company's shareholders' equity increased by 9.7%, amounting to KD 40,701,858 in 2021 compared to KD 37,108,954 in 2020.
- Decrease in the general and administrative expenses by 2.1%, amounting to KD 4,381,520 in 2021 compared to KD 4,474,069 in 2020.
- Increase in net investment returns by 50.9%, which amounted to KD 1,738,342 KD in 2021, compared to KD 1,151,413 in 2020.

Second: Investments:

Warba Insurance Company is committed to the investment policy approved by the Board of Directors to enhance its profitability and maximize its return, through the application of moderate risk, high liquidity standards and support of the financial position, in addition to recruiting distinguished competencies in this field, as well as investment companies with large and reliable experiences in light of the standards stipulated in that policy, investment in portfolios and financial funds with high and stable profitability and the provision of promising and exceptional investment opportunities.

Dear Shareholders,

The efforts exerted by Warba' various work teams, especially the sales, underwriting and claims management teams, have combined, as these functions represent the main pillar of the Company's operational activity. Work teams have increased the level of sales and maximized operational revenues in all types of insurance, in addition to meeting the needs of customers around the clock, with the best possible quality of service.

During 2021, Warba Insurance Company succeeded in improving its credit rating from a negative outlook to a stable outlook at (BBB) level, according to the international rating agency Standard & Poor's (S&P Global), which confirmed the improvement in the Company's underwriting performance and the reduction of risks regarding capital and profit fluctuations, as well as improvement in liquidity position and the decrease in expenses, reflecting Warba's ability to maintain its market share positively and its stability of business and performance, supported by the profits achieved over the previous years and the Company's continuity in achieving capital adequacy that exceeds the requirement for (AAA) rating, within the framework of the internal agency model for risk-based capital. That rating reflects Warba's strong position and its good performance of underwriting and investment activities.

Over the course of fourteen years, Warba has established its eligibility for management quality certificates in accordance with international standards (ISO 9001:2015) and (ISO 27001) in maintaining professional management performance rates and adherence to the policies and procedures, in accordance with the international standard based on risks.

Warba's entitlement to and preservation of the aforementioned quality certificates is confirmed by its competence and ability to provide and deliver services of the highest possible quality at various levels and functions, through standard policies and procedures in accordance with applicable global standards.

The Company is also working to support its lines of operations with the latest and best technologies and digital solutions, which give the Company distinction and progress in all services and businesses provided thereby.

Furthermore, Warba has also continued to support the development of its employees by enhancing the level of the variance skills they enjoy, by providing varied and different training courses, within the framework of public and private competencies developed according to each function, so as to consolidate and maximize the experiences they have acquired, thus raising the level of business carried out by the Company.

In 2021, Warba has supported its continuous efforts in corporate social responsibility by activities that serve the community and public interest by participating in social and charitable development initiatives, as follows:

- Providing schools with smart classes.
- Organizing "We Care About You" Campaign.
- Sponsorship of the Friends of Kannur Kuwaiti Expatriates Association "FOKE".
- Donation to Kuwaiti Al-Najat Charitable Society.
- Donation to Kuwait Red Crescent Society.

Warba's Future Strategy:

Warba Insurance Company continues to pursue its strategic plans to achieve the set goals, raise performance rates, innovate new insurance services in line with customer requirements, support and develop the provision of digital services, raise and develop the quality of current services, in addition to supporting its investment portfolio and raising its market share, in pursuit of stability and growth of the Company's business and profitability.

Third: Profits and Recommendations:

The annual profit for the fiscal year 2021 amounted to KD 2,453,492. Adding the retained earnings at the beginning of the year, amounting to KD 2,126,424, and deducting the dividends due to shareholders for the year 2020, amounting to KD 1,327,671 and the minority rights amounting to KD (22,970), total distributable profits amount to KD 3,229,275.

Accordingly, the Board of Directors is pleased to recommend the following distributions of the Warba's profits, as follows:

Statement	Value (KD)
10% of the paid-up capital for cash distribution to shareholders	1,712,206
Share of Kuwait Foundation for the Advancement of Sciences	22,036
National Labor Support Tax	81,244
Zakat	30,035
Profits forwarded to next year	2,423,828

Honorable Shareholders,

Concluding this brief report on the activity of our company, on behalf of us all, we extend sincere thanks, great gratitude and appreciation to His Highness, the Emir of the state, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and to His Highness the Crown Prince, Sheikh Mishaal Al-Ahmad Al-Jaber Al-Sabah, may Allah keep them safe and in the support of our beloved country, Kuwait, for the sake of elevating Kuwait and its people.

We also thank the Ministry of Commerce and Industry for supporting the business and facilitating the services provided, the Insurance Regulatory Unit, the Ministry of Finance, the Ministry of Interior, as well as all other regulatory authorities, the Capital Markets Authority, Kuwait Stock Exchange and Kuwait Insurance Federation, appreciating their efforts to advance the Kuwaiti economic work system and raise it to the highest position.

We also extend our thanks to our reinsurance partners, commending the continued cooperation between the national insurance companies in serving Kuwaiti insurance market in the best way. Our thanks are also to our valued customers for their precious trust and we assure them that we shall always stand by their expectations and shall always provide them with distinguished services.

Our sincere thanks and appreciation go, as well, to the executive management and the Company's employees for their dedication and efforts exerted to achieve even further success, progress and prosperity for Warba, preserving its capabilities and gains.

May Allah guide us to the good and righteous deeds.

May Allah protect Kuwait, its Emir and Crown Prince and its great people.

May Peace, mercy and blessings of Allah be upon you all.

Chairman of Board of Directors

CEO'S LETTER

REPORT OF THE BOARD OF DIRECTORS FOR 2021

Gentlemen,

It is my pleasure to present to you the Annual Report on Warba Insurance Company's performance and the outcome achieved, where year 2021 was a distinguished year in view of the impressive financial and technical results accomplished thereby. Such results were the result of hard work and commitment to implement the strategic plans and achieve the set goals, despite the technical difficulties that coincided with the spread of Covid-19 pandemic.

Warba Insurance has completed the transformation phase undertaken under the name of "Warba Vision 2021". The success of that strategic transformation was crowned with tangible results for the Company in its quest to regain its leadership and position among Kuwaiti national companies, in addition to its endeavor to innovate new insurance services that meet the needs of customers and sustain its profitability.

By all accounts, the year ending 31 December 2021 was an eventful year for Warba Insurance Company. We invested heavily in human and technology capital, in commitment to operating within the highest and state-of-the-art standards. Also, the Company has improved operational processes and maintained high rates of customer service.

The growth that Warba has witnessed during the past fruitful years is the result of the concerted efforts of its various sectors, especially the underwriting, sales and claims sector, in addition to the provision of the latest electronic systems that have contributed to increasing the Company's ability to meet the planned increase in retaining the base of existing and new customers. This continues to be one of the cornerstones of our Insurance Risk Management policy.

I am honored and proud to express my appreciation for the commitment witnessed in the entire Company under the circumstances imposed by Covid-19 pandemic, as well as the keenness and loyalty of everyone to complete the work entrusted thereto with dedication and sincerity. Our employees are our most valuable assets and they have invested their rich experiences in providing high quality insurance products and services to Warba's customers. The Company contributes to the development and training of all its employees, so as to raise the level of work and services provided.

The process of reviewing, developing and updating the policies and procedures for insurance underwriting and claims in Warba continues, in addition to the reinsurance agreements that are subject to the highest international standards, in order to keep pace with the laws, resolutions and instructions issued by the various regulatory authorities, in particular the Insurance Regulatory Unit that is responsible for regulating the insurance sector in the State of Kuwait.

Warba Insurance also reviewed and updated its underwriting policies and procedures to reflect changes in operations. Controls were also improved and operations simplified, while the Company's financial policies and procedures were renewed, which would improve Warba's operational efficiency.

In conclusion, I would like to extend my sincere thanks and appreciation to Warba's Board of Directors for their continuous support and guidance to achieve the vision of our company, as well as to our customers for their confidence in our services and products. I also extend my gratitude and acclaim in particular to the sectors, departments and employees of Warba Insurance Company and I praise their efforts and contributions exerted during the year 2021.

We also commit to continue the efforts we exert in the growth and development of our prudent strategies and plans that contribute to the Warba's prosperity, in the operational sector and investment operations.

Anwar Fozan Al-Sabej
Chief Executive Officer

COMPANY OVERVIEW

Company Overview

Warba Insurance was established in 1976, with Kuwait's heritage and values at heart. Since then, the company has provided insurance services to individuals and companies in utmost integrity and security. Warba Insurance with 45 years of experience continues to provide
the highest standards and service quality in insurance policies that meet the needs of the different segments without losing sight of the communities we serve.

Today, Warba Insurance is one of the largest insurance providers based on the underwritten premium in the State of Kuwait, offering a comprehensive range of products under both life and non-life lines of business. The Company continues to deliver services with a personalized attention to clients' needs, ensuring they get the security they need every day.

As we look forward to the future, our promise to our clients is that we will always remember where we came from, and maintain our standards and integrity in all our decisions and offerings.

We believe that any success is based on strong and mutually beneficial relationships that we build along the way. This is why our focus remains on being a leader in the insurance industry and to deliver the best value, service and innovative solutions to each customer throughout our journey.

Life Insurance

Warba Insurance offers a wide range of solutions in Life Insurance to meet the needs of individuals and support their personal financial planning, as well as provide corporates and groups with personalized plans that serve their everyday business and risks.

Medical Insurance

The medical insurance policies cater to both individuals and corporates with a comprised level of coverage. We provide a wide range of solutions that can be tailored based on the needs of our clients.

Marine Insurance

Marine insurance provides protection to both individuals and corporate clients having business related to cargoes, ships, yachts and jet skis as well as their related liabilities.

Motor Insurance

Warba Insurance has and remains the trusted partner when it comes to motor insurance, as we continue to provide excellent customer service and quality coverage for our corporate
and individual clients.

Fire and General Accidents Insurance

Warba Insurance provides full coverage policies for companies and institutions operating in real estate and industrial sectors, amongst others. We provide a wide range of policies such as Property all risk, Engineering Insurance and Liability Insurance, as well as a wide range of
solutions for individuals that cover property, households, personal accidents, travel and more.

Supporting our Business Lines

The success and quality of our business lines are supported by various departments that contribute to our customer service excellence.

Information Technology

At Warba Insurance, we follow a dynamic methodology in the management of our operations. We apply the best global practices and standards in IT integrated solutions to measure and determine our performance indicators, and to develop a strong security infrastructure for information.

Information Security Unit

It manages the company's protection, defense and information security programs, develops the company's information security policies, submits reports on the security status of information and various databases, and monitors and prevents any abuses or violations of the company's databases.

Human Resources

Developing our human resources. Is our priority. Every member of our team, no matter in which division they work in, is a significant asset to the Company.

Our Human Resources department creates a rewarding work environment and training programs designed to ensure achieving the Company's vision.

Legal Affairs

The Legal Affairs department is considered our main driver in our daily operations. It provides legal protection to our business, and works closely as a consultant with other departments before products and services are launched or signed.

Public Relations and Marketing

The Public Relations and Marketing vision ensures a continuous and transparent communication with our stakeholders, be it our individual or corporate clients, shareholders and other partners. We engage with our stakeholders through traditional media, digital and online channels, that enable us to offer our products and services while making sure that customers can find what they're looking for.

Sales, Distribution and Underwriting Sector

The Sales, Distribution and Underwriting sector is one of the most important sectors in the company that represents the company's operating activity and source of income. The Sales Distribution and Underwriting sector is based on a strategy that is aimed at enhancing the sales volume and closing the communication gaps between the company and its clients, enabling the company to provide a better and comprehensive service to customers and all their needs. It focuses on completing the services provided to the customer with other services that will respond to the customer's changing needs.

This is done by examining each case separately and closely to provide the services efficiently. The distribution channels aim to raise Warba Insurance's position to a leading company in the insurance market while ensuring that its customer-centric approach remains in every aspect of its business.

Financial Affairs

The Finance department manages the financial transactions of the company in accordance with international standards and specifications. It also manages investment portfolios, which represent a source of income for the company and contributes in enhancing the profitability of the company.

Claims and Network Management Sector

The Claims and Network Management sector ensures customers are served at best when it comes to providing them with advice on claims for compensation, restitution, repayment or any other remedy for loss or damage, or in respect of some other obligation, in addition to ensuring a sound management of protocols and efficient platform that provides quality assurance and enhances relations with all medical and service providers.

Administration Department

The Admin department works to establish a professional administrative work of the company to ensure the ease of business with the official authorities, as well as to establish procedures aimed at controlling the maintenance and internal services in the company, and streamlining administrative expenses.

Governance, Risk Management and Compliance Sector

Risk Management Department

The Risk Management Department monitors in advance and continuously any risks that the company is exposed to and develops a unified vision to face them in addition to setting and developing strategic plans to mitigate the risks to which the company is exposed, monitoring and evaluating the efficiency and quality of the technical, administrative and operational processes of the company and managing its credit rating as well as preparing and equipping the general frameworks For confrontations, indications and models related to preparing plans, supplying the company's planning devices with them, preparing research and market and field studies, and preparing strategic objectives for work plans in line with the risk appetite approved by the Board of Directors, which maintains the level of adequacy of financial solvency and capital, And the department also follows up on the application of international risk standards in accordance with (ISO: 31000) standard.

Compliance Department

The department ensures that the company is committed to working within a legal framework that complies with the laws and regulations issued by the regulatory authorities regarding the rules of governance, corporate law, anti-money laundering, terrorism financing , the US tax compliance law FATCA, and the Common Reporting Standards (CRS), in addition to following up with the implementation of ISO 9001. as well as the contribution in insurance industry development through applying insurance regulation law no. (125/2019), And its executive bylaw, also all of Insurance Regulatory Unit (IRU) decisions and circulars.

Corporate Governance Department

Ensures the company's commitment to work within a legal framework and in conformity with the principles of governance issued by the Capital Markets Authority (CMA), and follows up on the implementation and organization of the work of the Board of Directors and its sub-committees, as well as organizing the meetings of the general assembly of the company's shareholders.

Internal Audit Department

The Internal Audit department examines, monitors and analyzes activities related to the context of financial and accounting operations within the company, their conformity with international accounting standards and local laws and regulations in the country and prepares periodic reports on Internal audits.

Corporate Governance Report

for the Year Ending in 31 December 2021

The rules of **corporate governance** have contributed to the development of the financial, administrative and economic foundations in all sectors of Kuwaiti labor market (companies - entities - institutions), where governance has helped in applying the principle of transparency and enhancing the solvency and administrative strength of companies, by defining and separating powers and authorities, in addition to supporting internal and external oversight and protection of the rights of shareholders and related parties, preventing cases of conflict of interest and contributing effectively to social responsibility for the society.

The eleven Corporate Governance Rules, issued by the Capital Markets Authority Law No. 07/2010, have restructured the listed companies in all sectors in terms of proper determination of tasks and responsibilities, applying the rules of efficiency and integrity, ensuring the integrity of financial reports and setting up sound risk management systems that are the charter for the success of companies, strengthening their financial position and improving and developing performance, as well as ensuring and preserving shareholders' rights.

The proper application of the rules of corporate governance enables the Board of Directors and the Executive Management to carry out the tasks entrusted to them in the best way and ensures the mitigation of risks and the achievement of strategic goals with the highest standards of success and prosperity.

The importance of corporate governance is represented in the following aspects:

First: Economic Aspect:

1) Increasing confidence in the Company's business and in the economy that generates it, as it prepares the factors of growth for the listed joint stock companies and limits the loss of capital through the application of standards and investment control, leading to supporting the financial position and enhancing private sector competitiveness.
2) Applying the principles of disclosure and transparency and ensuring the integrity of financial reports maximize the return on national economy from corporate business.
3) Increasing financing opportunities, decreasing investment cost, achieving money market stability, decreasing the degree of risks and improving governance in the quality of commodity or service production, thus increasing competitiveness and achieving integration in local, regional and global markets.

Second: Supervisory Aspect:

Legislation and regulations are the backbone of the parties involved in corporate governance and the mechanisms adopted therein, as the laws and decisions precisely and specifically regulate the relationship between the concerned parties in the Company and economy as a whole. Corporate governance rules overlap with many laws, such as Investment Law, Companies Law, Tax Law, etc. It is through these laws and practices that the rights of shareholders and stakeholders are guaranteed.

1. The importance of governance appears in two elements, the first is the follow-up and control to discover deviations and abuses and the second is the modification and development of the work of companies through control, for the purpose of correcting the said deviations.
2. Achieving impartiality and integrity for all Company employees, starting from the Board of Directors to all employees.
3. Achieving maximum and actual benefit from the risk management and internal control systems, achieving the highest possible level of transparency and disclosure in financial reports.
4. Achieving transparency and ensuring financial reports' integrity.
5. Providing an ideal environment for control by ensuring compliance with the specific risk standards, providing a high degree of independence from any pressures or influences from any party.

6. Ensuring the principle of (Four Eyes Principles), which guarantees maximum protection of shareholders' rights.
7. Achieving financial, administrative and behavioral discipline in all establishments and organizations.
8. Reducing and combating the financial and administrative corruption risks.
9. Ensuring that the Board of Directors does not abuse its powers to harm the interests of the shareholders or any Company-associated parties; e.g., suppliers, bond holders and lenders, in addition to ensuring the independence of shareholders' funds.
10. Governance in Kuwait's public sector has become of great importance in contributing to the achievement of a distinct reality in society, represented in the fact that Kuwait Vision 2035 includes a part related to adopting a comprehensive and effective governance system for all levels public sector, which success depends to a large extent on the ability of the government apparatus to achieve the goals and programs assigned thereto efficiently and effectively. Furthermore, the Audit Bureau's report mentioned the "Key Financial Indicators and Control Phenomena 2020-2021", in terms of reviewing and analyzing the results of the study undertaken on the extent of commitment of the government entities covered by the audit performed by the Audit Bureau, so as to achieve governance requirements. The number of these entities amounted to (65) government agencies, (29) ministries and government departments, (20) public entities with an attached budget and (16) public institutions with independent budgets, where the General Secretariat of the Supreme Council for Planning and Development topped ministries and government departments with the percentage of 92.7%, and the Public Authority for Anti-Corruption (Nazaha) topped the public entities with supplementary budget with the percentage of 75.2%, while the Capital Markets Authority topped the public institutions with an independent budget, with the percentage of 92.2%.

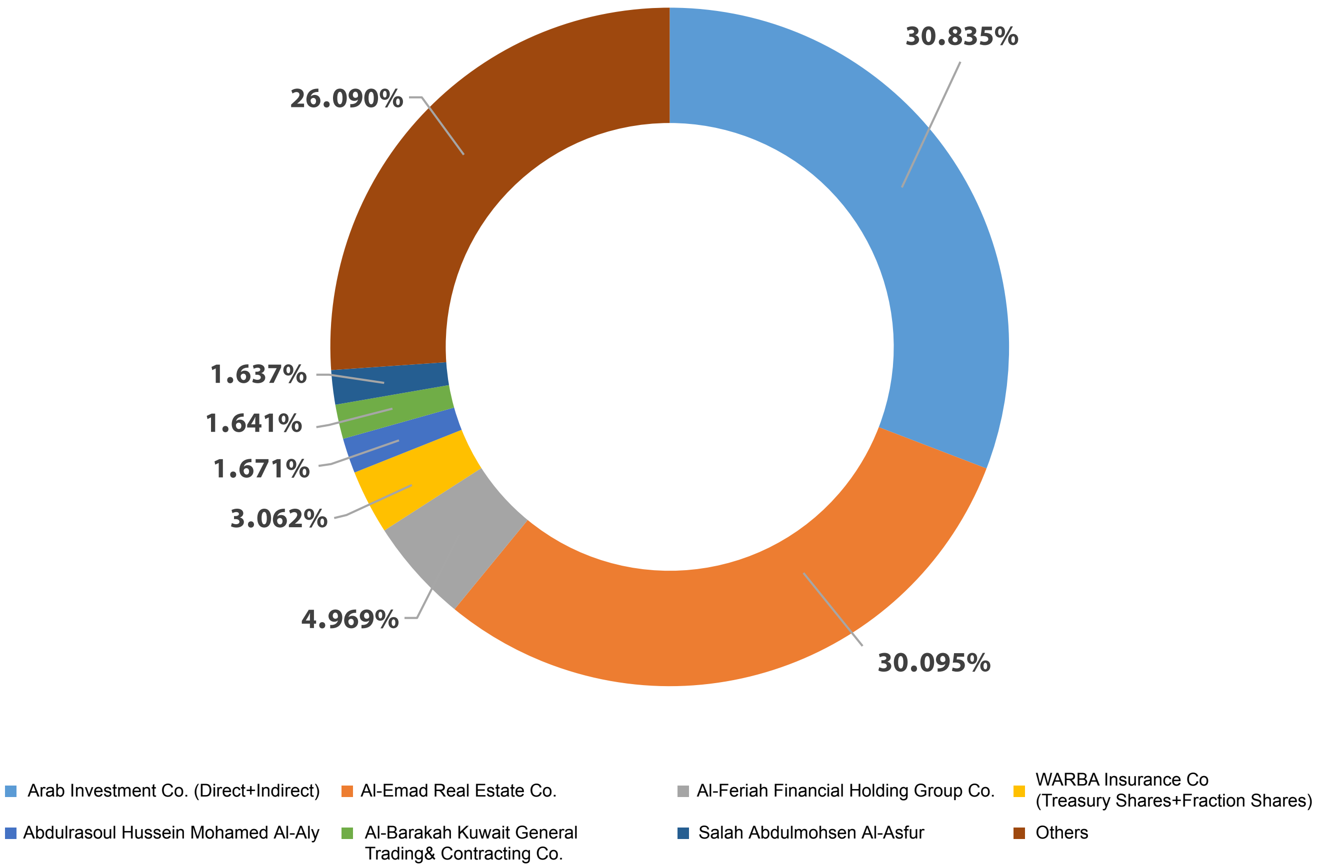
Third: Social Aspect:

1) Governance is concerned with achieving a balance between social and economic goals and between individual and collective goals, aiming to link between individuals', companies' and society's objectives.
2) Warba's interest in social affairs leads to improving its image and its increasing society's acceptance thereof, where every society needs the prosperity and growth of the companies operating therein in order to support the community and provide job opportunities, health services, etc., not only to improve the standard of living, but also to enhance social cohesion.
3) Governance contributes to alleviating crises, strengthening human rights, establishing rules of justice and the continuation of companies' work.

   Warba Insurance Company is moving forward and steadily in continuing to adhere to the instructions and applications of good governance, in accordance with the laws and instructions issued by the regulatory authorities, which are overseen in Kuwait by the Capital Markets Authority in terms of the companies subject thereto, as well as the Central Bank of Kuwait with regard to banks and companies subject thereto, as well as according to the best International practices, stemming from the Company's belief that governance is the best way to achieve success, advancement and sustainability.

WARBA Major Shareholders as on 31/12/2021

Shareholders Names	No. of Shares	Percentage
Arab Investment Company (direct + indirect)	54,612,120	30,835%
Al Emad Real Estate Company	53,300,000	30.095%
Al-Fraih Financial Group Holding Company	8,800,000	4.969%
Warba Insurance Company (treasury shares + fractional shares)	5,422,822	3.062%
Abdul Rasoul Hussain Mohammed Al Ali	2,960,000	1.671 %
Al Baraka Kuwaiti General Trading and Contracting Company	2,905,620	1.641 %
Salah Abdel Mohsen Abdel Latif Al-Asfoor	2,900,00	1.637%
Others	46,207,903	26.090%
Total	**177,108,465**	**100%**



Credit Rating

#	Rating Agency		Rating	S&P Rating	Future Outlook
1	STANDARD & POOR'S RATINGS SERVICES	Standard & Poor,s	BBB	BBB	Stable

Rule One

Building a Balanced Structure for the Board of Directors

Board of Directors:

Warba Insurance Company has implemented the rules of governance pertaining to the standards for forming the Board of Directors, selecting persons with distinguished competencies for the Board membership of the Board of Directors based on the criteria set by the Capital Markets Authority and properly determining the tasks and responsibilities of each member according to membership classification (executive - non-executive - independent). The Board has been keen to evaluate its members through objective key performance indicators commensurate with the nature and size of the Company's business.

Board members distinguished experiences are varied; banking sector, insurance sector, investment sector, business administration sector, finance sector and real estate sector, which has enriched the Warba's strategic and business plans and yielded in making sound and wise decisions and managing the Company's affairs professionally within an ethical framework of the business environment, which is reflecting on Warba's shareholders, stakeholders and related parties. All these elements combined contribute to maintaining and strengthening the Company's position in e Kuwaiti labor market.

Pursuant to Warba's Memorandum of Association, the Board of Directors consists of seven members, all of whom are non-executive, including two independent members (percentage of independent members is 27%). They are elected by the shareholders at the Company's ordinary general assembly meeting for a period of three years, in accordance with the provisions of the Memorandum of association, Articles of Association, Companies Law and instructions of the Capital Markets Authority.

Formation of the Board of Directors:

Mr. Anwar Jawad Bukhamseen	Chairman of the Board of Directors	Non-Executive
Sheikh / Mohammed Al-Jarrah Al-Sabah	Vice Chairman of the Board of Directors	Non-Executive
Mr. Raed Jawad Bukhamseen	Board Member	Non-Executive
Mr. Hazem Ali Al-Mutairi	Board Member	Non-Executive
Ms. Refaat Ghalayini	Board Member	Non-Executive
Mr. Rafid Al-Rifai	Board Member/Independent	Non-Executive
Mr. Mohamed Al-Mubarki	Board Member/Independent	Non-Executive

Biographies of the Members of the Board of Directors:

Mr. Anwar Jawad Bukhamseen

Chairman of the Board of Directors /Non-Executive

Mr. Bukhamseen enjoys extensive experience in the fields of banking, insurance and real estate investment. During his career, he held many leadership positions and currently holds a number of prominent positions, including:

Member of the Board of Directors of Kuwait International Bank, Advisor to the Board of Directors of International Takaful Insurance Company, Member of the Board of Directors Executive of Bukhamseen Group Holding Company, member of the Board of Directors of Kuwait Catalyst Manufacturing Company, member of the Federation of Kuwaiti Industries, Vice Chairman of the Board of Directors of the Kuwait Insurance Federation and member of Kuwait Economic Association. Mr. Bukhamseen holds a Bachelor's degree in Economics and Financial Management from the College of Commerce, Economics and Political Science, Kuwait University, in 1995 and has also obtained a specialized certificate in an executive program on foreign trade policies from Harvard University in 2005, in addition to a specialized certificate from Kuwait Foundation for the Advancement of Sciences in the framework of corporate governance and the work of financial institutions.

Sheikh Mohammed Al-Jarrah Al-Sabah

Vice Chairman of the Board of Directors / Non-Executive

Sheikh Mohammed Jarrah Al-Sabah has distinguished experience in the fields of banking, insurance and real estate investment. He is the Chairman of the Board of Directors of Kuwait International Bank, Chairman of the Board of Directors of the Union of Arab Banks, Board member at Union of Kuwaiti Banks and member of the Board of Trustees of the Arab Academy for Banking Sciences University. His career is full of accomplishments, during which he held several senior management positions with a number of leading authorities in Kuwait, including: Kuwait Real Estate Investment Group, Commercial Bank of Kuwait, Kuwait Reinsurance Company, Salhia Real Estate Company and Arab Insurance Group (ARIJ).

Mr. Raed Jawad Bukhamseen

Board Member Non-Executive

Mr. Raed Bukhamseen has several years of experience in the fields of investment, banking and business administration. He holds the position of Vice Chairman of the Board of Directors of Kuwait International Bank, CEO of Kuwait International Bank and chairmanship and membership of several leadership positions with leading companies, including: Bukhamseen Group Holding Company, Arab Investment Company, The Shared Electronic Banking Co. (K-NET), Egyptian Gulf Bank in the Republic of Egypt, Layan Real Estate Company in Dubai, Souk Al Salmiya Real Estate Company and Credit One Kuwait Holding Company. He obtained his Bachelor's degree in Business Administration in 1999 from Boston University, the United States of America, in addition to specialized certificates in portfolio management, credit and investment analysis.

Mr. Hazem Ali Al-Mutairi

Board Member Non-Executive

With an experience of more than 25 years in several sectors, including finance, investment and treasury, Mr. Al-Mutairi is currently a Board member of Boubyan Bank and the CEO of Credit One Kuwait Holding Company. He graduated from the United States of America and holds a Bachelor's degree in Finance.

Mr. Refaat Ghalayini

Board Member / Non-Executive

Mr. Refaat Ghalayini enjoys experience that exceeds 20 years in the financial sector. He holds a Bachelor's degree in Economics and Commerce, Masters' Degree in Business Administration, a Certified Public Accountant (CPA) and an International Certified Valuation Specialist (ICVS) certificate. He holds the position of Chief Financial Officer Finance at Bukhamseen Holding Group, Vice Chairman of the Board of Directors of the Arabian Beverage Company (ABC), Vice Chairman of the Board of Directors of Al Emad Real Estate Company and Board Member at Kuwait International Education Company (KIEC).

Mr. Rafid Al-Rifai

Board Member / Independent Non-Executive

Mr. Rafid Al-Rifai enjoys experience of more than 25 years in various fields, including financing, investing, supplying catalysts and chemicals to oil and gas industries and catalysts manufacture. During his career, he held various positions; Assistant General Manager and Managing Director of Abdullah Sayed Rajab Al-Rifai and Sons Trading and Contracting, Chairman and member of the Board of Directors of Kuwait Catalysts Company and is currently holding the position of Executive Director in Abdullah Sayed Rajab Al-Rifai and Sons Trading and Contracting Company and a Board member of Kuwait Catalysts Company. Mr. Al-Rifai has graduated from Kuwait University where he obtained a Bachelor's degree in Business Administration.

Mr. Mohamed Al-Mubarki

Board Member / Independent Non-Executive

Enjoying a vast experience in the financial and real estate sector, for more than 25 years, Mr. Al-Mubaraki held the position of Assistant General Manager for Asset Management in both Gulf International Investments Company and Al Mal Investment Company. He also worked in the field of stock trading at Al Sahel Investment Company and is currently the General Manager of Edarat Real Estate Company. He graduated from Kuwait University and holds a Bachelor's degree in Business Administration, with a major in finance, and has attended courses in combating money laundering, financial analysis of investment decisions in capital markets, evaluating the real and market value of shares, managing portfolios and investment funds, basics and tools of investment in financial markets and accounting.

Brief on Warba's Board of Directors Meetings (2021)

Meetings of the Board of Directors:

Meeting No.	Date of Meeting	No. of Attendees
(2/2021)	21/02/2021	5
(2/2021)	10/05/2021	4
(3/2021)	30/06/2021	5
(4/2021)	05/08/2021	6
(5/2021)	23/09/2021	5
(6/2021)	14/11/2021	5
(7/2021)	02/12/2021	4

Member's Name	Meeting (1) 21/02/2021	Meeting (2) 10/05/2021	Meeting (3) 30/06/2021	Meeting (4) 05/08/2021	Meeting (5) 23/09/2021	Meeting (6) 14/11/2021	Meeting (7) 02/12/2021	No. of Meetings
Mr. Anwar Jawad Bukhamseen Chairman of Board of Directors	(√)	(√)	(√)	(√)	(√)	(√)	(√)	7
Sheikh Muhammad Al-Jarrah Al-Sabah / Deputy Chairman of the Board	(×)	(√)	(×)	(×)	(×)	(×)	(√)	2
Mr. Raed Jawad Bukhamseen Member of the Board of Directors	(√)	(×)	(√)	(√)	(√)	(√)	(√)	6
Mr. Hazem Ali Al-Mutairi Member of the Board of Directors	(×)	(×)	(√)	(√)	(×)	(×)	(×)	2
Mr. Rifaat Ghalayini Member of the Board of Directors	(√)	(√)	(√)	(√)	(√)	(√)	(×)	6
Mr. Rafid Al-Rifai Member of the Board of Directors Independent	(√)	(√)	(×)	(√)	(√)	(√)	(√)	6
Mr. Muhammad Al-Mubarki Member of the Board of Directors Independent	tt(√)	(×)	(√)	(√)	(√)	(√)	(×)	5

Brief on how to apply the requirements for registration, coordination and keeping the minutes of the Company's Board of Directors meetings:

- All members of the Board of Directors receive invitations that specify the date and hour of the next Board meeting, attaching the agenda of the meeting and the material to be presented during the meeting, three working days before the date of holding that meeting.
- The Board of Directors is obligated to discuss the items included in the agenda.

The Secretary is also obligated to record the minutes of the meeting, provided that it shall include the following:

- Serial number for each meeting.
- Date of the meeting and the start/end hours of the meeting.
- Recording the names of all attendees and absentees who apologized for not attending, as well as those who attended part of the meetings.
- Ensuring the completion of the attendance signatures of the Board members.
- Ensuring the completion of signatures on the decisions issued by the Board of Directors.
- Keeping the original documents of the minutes and the decisions issued, while maintaining a special record of those minutes.
- Ensuring easy access of the members to all meetings' minutes and their attachments at any time.
- Independent member's declaration that he meets all controls of independence, and a copy of that declaration shall be attached to the report.

  The declarations have been were submitted to the Capital Markets Authority.

Rule Two

Proper Determination of Tasks and Responsibilities

Brief on how the Company determines a policy of tasks, responsibilities, and duties for each of the members of the Board of Directors and the Executive Management, as well as the powers and authorities delegated to the latter:

Duties of the Board of Directors:

- Adopting the important objectives, strategies, plans and policies of the Company, including the following:
  - Overall strategy and main business plans, along with reviewing and directing them.
  - Optimal capital structure of the Company and its financial objectives.
  - Clear policy for profits distribution of all kinds, cash / in kind, in a way that achieves the interests of shareholders and the Company.
  - Performance objectives, monitoring of implementation and overall performance in the Company.
  - Organizational and functional structures in the Company and periodic review thereof.
- Approving the annual estimated budgets, as well as the interim and annual financial statements.
- Supervising the main capital expenditures of the Company, and owning/disposing of assets.
- Ensuring the Company's compliance with the policies and procedures that ensure its respect for the applicable by-laws and regulations.
- Ensuring the accuracy and integrity of data and information to be disclosed, in accordance with the applicable disclosure and transparency policies and systems.
- Establishing effective communication channels that allow the Company's shareholders to access, continuously and periodically, the various aspects of the Company's activities and any material developments.
- Establishing a corporate governance system, consistent with the provisions of these rules, and general supervision thereon, monitoring its effectiveness and amending it when necessary.
- Monitoring the performance of each member of the Board of Directors and the Executive Management according to the objective performance indicators (KPIs).
- Preparing an annual report to be read at the Company's annual general assembly to include the requirements and procedures for completing the corporate governance rules and the extent of adhering thereto, provided that this report shall be included in the annual report prepared on the Company's activities, along with stating the rules that have – and have not - been complied with, with justifications for non-compliance cases.
- Specialized committees, emanating from the Board, were formed (Corporate Governance Committee - Risk and Compliance Committee - Audit Committee - Nominations and Remunerations Committee - Executive and Investment Committee - Information Technology Development Committee), in accordance with the rules of corporate governance and the charters of the committees clarifying their durations, powers and responsibilities, along with the Board's supervision thereof. The formation decision shall also include names of the members, in addition to defining their rights and duties. This is in addition to evaluating the performance and work of these committees and the main members thereof.
- Ensuring that the Company's approved policies and regulations are transparent and clear enough to allow the decision-making process, achieve the principles of good governance and ensure the separation of powers and authorities between the Board of Directors and the Executive Management. In this regard, the Board has undertaken the following:

- o Adopting the internal bylaws and regulations related to the Company's work and its development, as well as the consequent determination of tasks, competencies, duties and responsibilities between the different organizational levels.
- o Adopting a policy of delegation and implementation of the works entrusted to the Executive Management.

- Determining the powers delegated to the Executive Management, decision-making procedures and the duration of delegation. The Board also determines the issues which it retains the power to decide on. The Executive Management submits periodic reports on its exercise of delegated powers.
- Monitoring and supervising the performance of the members of the Executive Management, ensuring that they perform all tasks entrusted thereto, where the Board of Directors has undertaken the following:
  - o Ensuring that the Executive Management operates in accordance with the policies and regulations approved by the Board of Directors.
  - o Holding periodic meetings with the Executive Management to discuss the course of work and the obstacles and problems it encounters, as well as to review and discuss any important information related to the Company's activity.
  - o Setting performance standards for the Executive Management, consistent with the Company's goals and strategy.
- Determining the bonus segments that will be granted to employees, such as the fixed bonus segment, bonus segment related to performance and long-term risks and the bonus segment in the form of shares.
- Appointing or dismissing any of the members of the Executive Management, including the head of the executive body or equivalent.
- Developing a policy that regulates the relationship with stakeholders in order to preserve their rights.
- Establishing a mechanism to regulate transactions with related parties, in order to reduce conflict of interests.
- The effectiveness and adequacy of the internal control systems in force in the Company and its subsidiaries are periodically confirmed, including:
  - o Ensuring the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
  - o Ensuring the application of appropriate control systems to measure and manage risks, by defining the scope of risks that the Company may face, creating an environment familiar with the culture of risk reduction at Company level, presenting them transparently with stakeholders and Company-related parties.

Duties of the Executive Management:

- Working to implement all the Company's internal policies, regulations and systems as approved by the Board of Directors.
- Executing the annual strategy and plan approved by the Board of Directors.
- Preparing periodic (financial and non-financial) reports on the progress made in the Company's activity in light of the Company's strategic plans and objectives, presenting those reports to the Board of Directors.
- Developing an integrated accounting system that maintains books, records and accounts that reflect, in a detailed and accurate manner, the financial statements and income accounts, thus allowing the preservation of the Company's assets and the preparation of financial statements in accordance with international accounting standards approved by the Authority.

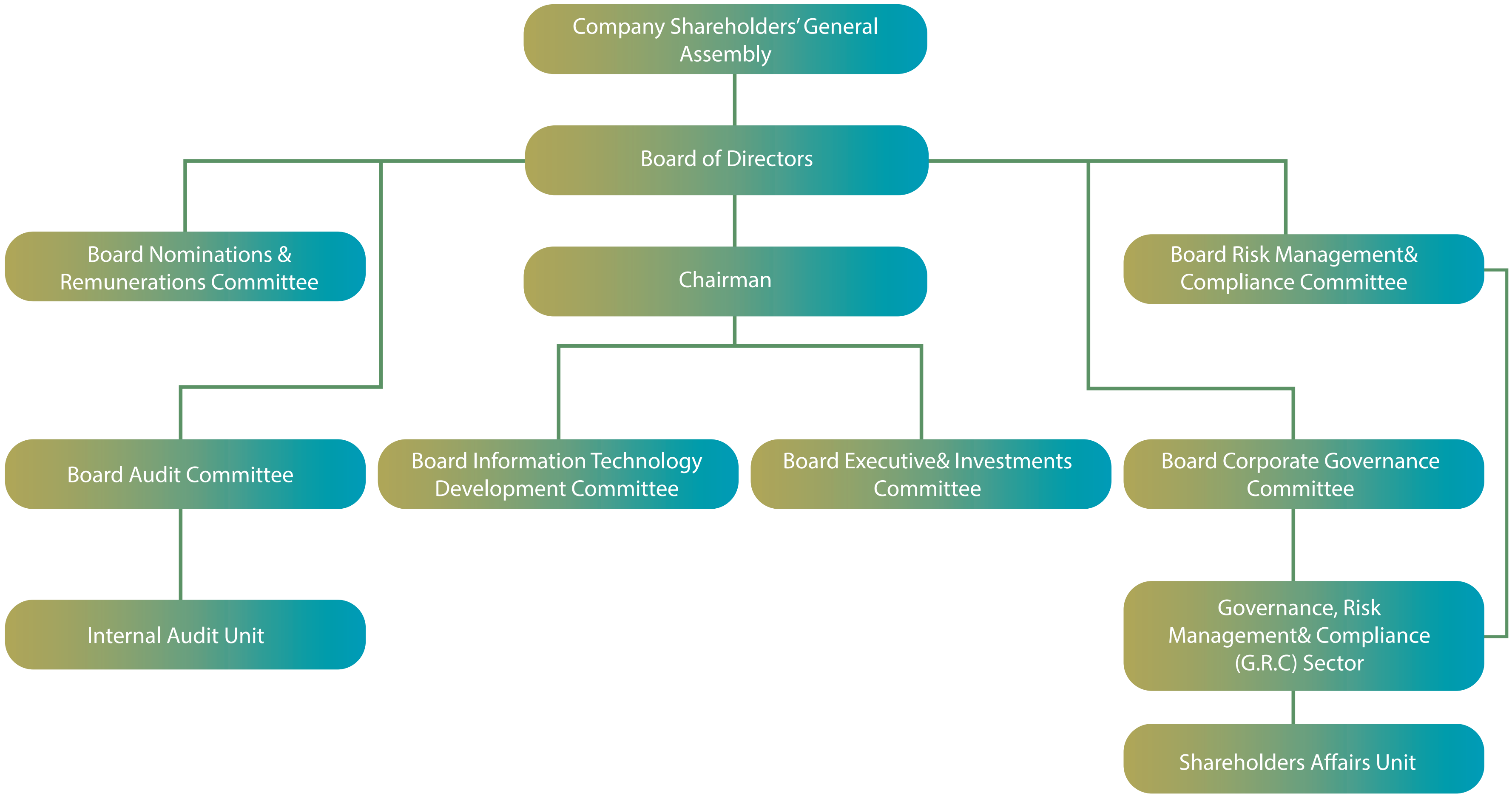
- Managing the daily work and running the activity, as well as managing the Company's resources, in an optimal manner, in addition to working to maximize the profits and reduce the expenses, in line with the Company's objectives and strategy.
- Active participation in building and developing a culture of ethical values within the Company.

Brief on the application of requirements for the Board's formation of specialized, independent committees:

- The committees emanating from the Board of Directors are deemed the link between the Board of Directors and the Executive Management, in addition to assisting the Board to follow up on all operations that actually take place in the Company and submit appropriate recommendations for approval by the Board. The charters of those committees and the main frameworks that determine tasks, responsibilities, formation and meetings have been approved.
- These committees have been formed in accordance with the requirements included therein from the Capital Markets Authority, taking into account the comprehensiveness of these committees for all administrative and technical operations that take place in the Company, so that the Board of Directors shall be fully aware of all matters occurring in the Company, to be able to take appropriate decisions and develop strategies and work plans as required to achieve the Company's objectives according to realistic data.
- The Board shall also form other temporary committees that serve specific tasks from time to time according to work needs. The work of these committees shall end as soon as the tasks assigned to each of them are completed.
- **Committees' term is that of the Board.**
- The Secretary of the Board of Directors maintains a file for each committee that includes the following:
  - o Committee meeting's minutes, number, date, start and end time.
  - o Recommendations approved by the committees.
  - o Presentation materials, presented reports and documents, which are available to all members for review.

	Committee	Formation	Acknowledgment
1	Corporate Governance Committee	√	√
2	Risk and Compliance Committee	√	√
3	Audit Committee	√	√
4	Nomination and Remuneration Committee	√	√
5	Executive and Investment Committee	√	√
6	IT Development Committee	√	√

Governance Org Chart



Executive and Investment Committee:

Formation:

Member Name	Position	No. of Meetings
Mr. Anwar Jawad Bukhamseen	Chairman of the Committee	Three Meetings
Sheikh Mohammed Al-Jarrah Al-Sabah	Committee Member	
Mr. Raed Jawad Bukhamseen	Committee Member	
Mr. Hazem Ali Al-Mutairi	Committee Member	

Duties:

- Developing and proposing strategic plans that reflect the Company's long-term goals and priorities.
- Implementing the Company's investment policies and reviewing investment deals.
- Monitoring compliance with the Company's estimated budget, comparing the actual performance rate with the target performance rate, addressing deviations, if any.
- Developing work plans that reflect the objectives of the Board of Directors and proposing appropriate mechanisms for their implementation.
- Studying investment offers and opportunities available to the Company.
- Studying investment contracts, enhancing investment portfolio and maximizing the return on investment.
- Approval of long-and short-term strategic plans.

Risk and Compliance Committee:

Formation:

Member Name	Position	No. of Meetings
Mr. Rifat Ghalayini	Chairman of the Committee	Five Meetings
Mr. Rafid Al-Rifai	Committee Member	
Mr. Mohammed Al-Mubaraki	Committee Member	

Duties :

- Supervising the application of a unified vision to face risks at the institutional level to ensure a consistent and highly efficient management of any risks to which the Company is exposed.
- Preparing and reviewing risk management strategies and policies before they are approved by the Board of Directors, ensuring the implementation of those strategies and their compatibility with the size of the Company's activities, and the independence of management from the Executive Management.
- Overseeing the development of the approved strategic plans and policies that reflect the Company's long-term goals and priorities.
- Assisting the Board of Directors in identifying and evaluating the level of risks acceptable to the Company, and evaluating the systems and mechanisms for identifying, measuring and following up on the different types of risks that the Company may be exposed to.
- Monitoring and evaluating the efficiency and quality of investment operations in comparison with the Company's strategic

plans and objectives and the return attained therefrom.

- Studying and reviewing the Company's risk level assessment reports and the measures adopted to reduce or confront those risks within the acceptable and approved risk ratios of the Company in exchange for the expected benefits.
- Reviewing and approving the risk management's policies and procedures guides.
- Monitoring the application of the Company's internal policies, procedures and regulations.
- Ensuring that all operations of the Company are conducted in accordance with the set plans and objectives, as well as the general strategy of the Company.
- Monitoring the Company's solvency.

Auditing Committee:

Formation:

Member Name	Position	No. of Meetings
Mr. Rifat Ghalayini	Chairman of the Committee	Six Meetings
Mr. Raed Jawad Bukhamseen	Committee Member	
Mr. Rafid Al-Rifai	Committee Member	

Duties:

- Reviewing the periodic financial statements before presenting them to the Board of Directors, expressing an opinion and recommendation thereon to the Board of Directors, with the aim of ensuring the financial reports' fairness and transparency.
- Recommending to the Board of Directors the appointment and reappointment, or change of, external auditors, determining their fees. In case of appointment recommendation, their independence shall be ensured and the appointment letters shall be reviewed.
- Following up the work of the external auditors, ensuring that they do not provide services to the Company other than the services required by the audit profession.
- Studying the external auditors' observations on the Company's financial statements and following up on what has been implemented in their regard.
- Studying the adopted accounting policies, expressing an opinion and recommendation to the Board of Directors in this regard.
- Assessing the adequacy of the internal control systems applied in the Company and preparing a report that includes the opinion and recommendations of the committee in this regard.
- Technical supervision of the internal audit department in the Company in order to verify its effectiveness in carrying out the works and tasks specified by the Board of Directors.
- Recommending the appointment, transfer and dismissal of the Internal Audit Director, evaluating his performance and the performance of the Internal Audit Department.
- Reviewing and approving the audit plans proposed by the internal auditor, submitting comments thereon.
- Reviewing the results of the internal audit reports, ensuring that the necessary corrective actions have been taken regarding the observations included in the reports.
- Reviewing the results of supervisory authorities' reports, ensuring that the necessary measures have been taken in this regard.

Nomination and Remuneration Committee:

Formation:

Member Name	Position	No. of Meetings
Mr. Raed Jawad Bukhamseen	Chairman of the Committee	Four Meetings
Mr. Rifaat Ghalayini	Committee Member	
Mr. Hazem Ali Al-Mutairi	Committee Member	

Duties:

- Ensuring that the most qualified, experienced, capable and skilled cadres are nominated to perform work tasks assigned to any vacant position in accordance with the standards of competence and integrity.
- Presenting recommendations to the Board of Directors to appoint individuals to fill the vacant leadership positions in accordance with the approved policies and standards.
- Recommending nomination or re-nomination for membership of the Board of Directors and Board committees in line with the rules of efficiency and integrity, as well as recommending the independent members to the General Assembly for election.
- Supervising the preparation and development of a plan to determine the Company's needs for competencies at the level of Executive Management.
- Supervising and approving the review and approval of the Company's job grades and wages' structure.
- Developing policies and procedures regarding compensation and rewards.
- Preparing and developing policies for allocations and remunerations of the members of the Board of Directors and the committees emanating therefrom.
- Preparing a detailed annual report on the remuneration granted to members of the Board of Directors and the Executive Management, provided being presented to the General Assembly for approval.

Corporate Governance Committee::

Formation:

Member Name	Position	No. of Meetings
Mr. Anwar Jawad Bukhamseen	Chairman of the Committee	One Meeting
Mr. Rafid Al-Rifai	Committee Member	
Mr. Rafid Al-Rifai	Committee Member	

Duties:

- Ensuring that the most qualified, experienced, capable and skilled cadres are nominated to perform work tasks assigned to • Periodic review to ensure the Company's commitment to applying the principles of governance and the rules governing it.
- Submitting reports and recommendations regarding the results of applying governance and compliance with the applicable laws and regulations.

- Permanent and continuous follow-up of decisions, laws and instructions issued by the regulatory authorities, submitting recommendations on the development and application of new standards and practices.
- Supervising and monitoring the application of the principles and frameworks of governance that have been approved by the Board of Directors.
- Reviewing, amending and initially approving the governance guide and its consistency with the regulatory requirements.
- Follow-up internal control reports regarding the application of the principles of good governance at the Company's level.

Brief on how to implement the requirements that allow members of the Board of Directors to obtain accurate and timely information and data:

Warba Insurance Company has implemented the requirements that allow members of the Board of Directors to obtain information and data accurately and in a timely manner, in addition to developing a system that ensures the availability of information and data accurately to the members of the Board of Directors. This system is based on two axes:

First:

Committees emanating from the Board of Directors: The Company has formed six specialized committees according to the requirements of the Authority and the Company. These committees cover all aspects of the Company's activity, meet periodically and submit their reports and recommendations to the Board of Directors, which are accurate reports that include information, analyzes and recommendations of these committees.

Second:

Company's Supervisory Sector: This shall be later discussed in detail. The Supervisory Sector, with its various departments and units, submits its detailed and analytical reports and monitors any risks that the Company may be exposed to. The Supervisory sector reports directly to the relevant Board committees, which guarantees its independence and avoidance of conflict of interests.

Rule Three
Selection of Qualified Persons for the Board Membership

Brief on the application of the requirements for forming the Nomination and Remuneration Committee:

Warba Insurance Company complies with the instructions issued in Articles (4.1) and (4.3) of Book Fifteen (Corporate Governance) in terms of forming the Nominations and Remunerations Committee, where the Board of Directors specify the membership term of its members and their method of work, according to the following tasks:

- Ensuring that the most qualified, experienced, capable and skilled cadres are nominated to perform the tasks entrusted to any vacant position in accordance with the standards of competence and integrity.
- Submitting recommendations to the Board of Directors to appoint individuals to fill vacant leadership positions in accordance with approved policies and standards.
- Recommending the nomination or re-nomination for the membership of the Board of Directors and the committees emanating therefrom, in line with the rules of efficiency and integrity, as well as recommendation of the independent members to the General Assembly for election.
- Supervising and approving the review of the Company's job grades and wages' structure.
- Developing policies and procedures in terms of compensation and rewards.
- Preparing and developing policies for the allocations and remunerations of the members of the Board of Directors and the committees emanating therefrom.

Rule Four

Ensuring the Integrity of Financial Reports

Written undertakings by both the Board of Directors and the Executive Management of the correctness and integrity of the prepared financial reports:

Written undertakings have been prepared by both the Board of Directors and the Executive Management for the correctness and integrity of the financial reports prepared for the fiscal year ending 31 December 2021.

Brief on the application of the Audit Committee formation requirements:

Warba Insurance Company complies with the instructions issued in Articles (5.5), (5.6) and (5.7) of Book Fifteenth (Corporate Governance) in terms of forming the Audit Committee and the Board of Directors specifying the membership term of its members and their method of work, according to the following tasks:

- Reviewing the interim and annual financial statements, as well as the reports issued by external auditors, approving them in principle before submitting them to the Board of Directors.
- Ensuring the financial reports' integrity and transparency.
- Recommending the appointment or reappointment of external auditors.
- Ensuring the application of international accounting standards and the changes that occur thereto.
- Reviewing the appropriateness of the Company's accounting policies and other operational procedures.
- Reviewing the Company's internal audit policies and procedures.
- Recommending the appointment, transfer and dismissal of the Internal Audit Unit Director and evaluating his performance and the performance of the Unit.
- Reviewing and approving the proposed internal audit plans and making observations thereon.
- Ensuring the Company's compliance with relevant laws, policies, regulations and instructions.

Statement of the cases of conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, detailing and clarifying the recommendations and the reason(s) behind the decision of the Board of Directors' non-adherence thereto:

No cases of conflict between the audit committee recommendations and the Board's resolutions were observed or documented for the fiscal year ending 31 December 2021.

Ensuring the independence and impartiality of the external auditor:

Warba Insurance Company is keen to contract with an external auditing office with expertise, competence and integrity, namely, Al-Aiban, Al-Osaimi and Partners (Ernst & Young).

The Company has been keen to provide a great deal of transparency and availability to external auditors in order to ensure the integrity and credibility of the financial reports and to ensure the application of the legal requirements guaranteed thereto. The representative of the external audit office also attends the meetings of the Audit Committee and the Board of Directors to discuss the financial reports, and they receive invitations to attend the meetings of the Company's general assembly and read the reports issued thereby.

Rule Five

Establishing Sound Systems for Risk Management and Internal Control

Brief on the application of the requirements for forming an independent risk management department / office / unit:

Governance, Risk and Compliance Sector:

Warba Insurance Company has always been keen to establish the Supervisory Sector therein in order to assume leadership in establishing and activating the supervisory role and corporate governance among the insurance companies in the state. Warba's Board of Directors has worked to activate the Sector's role and support it in all possible ways, through which the internal control's role and tasks shall be performed on all Company's activities to prevent the occurrence of any violations or threats that expose it to any current or future risks, whether administratively, technically and financially. Warba's policies and procedures have also been developed in accordance with Book Fifteen (Corporate Governance) of the Executive Regulations. These policies and procedures are developed in line with any amendments that may occur. The Company's Supervisory Sector follows up and supervises the implementation of these various policies and procedures, while all regulatory authorities' requirements are complied with; i.e., periodic reports, etc.

Out of Warba's keenness for the independence of the functions performed by the sector, the technical and administrative subordination of the Sector to the Risk Committee is in accordance with Authority Resolution No. (124/2018), in order to avoid conflict of interests and to perform the supervisory role in an optimal manner.

Risk Management Tasks:

- Applying a unified vision to face risks at the institutional level to ensure a consistent and highly efficient management of any risks to which the Company is exposed.
- Providing strategic direction and approving key strategic risk initiatives.
- Developing strategic plans that reflect long-term goals and priorities of the Company.
- Following up on the implementation of strategies and policies approved by the Board of Directors.
- Monitoring the financial and operational results and comparing them with the set plans and objectives and the estimated budget.
- Monitoring and evaluating the efficiency and quality of investment operations in comparison with the Company's strategic plans and objectives and the revenues therefrom.
- Submitting periodic reports related to exposure to risks and the procedures to be avoided and controlled.
- Developing and measuring the adequacy and efficiency of the Company's risk assessment and measurement methodologies.
- Ensuring the adequacy of liquidity and financing, as well as the strength of Warba's financial solvency.
- Evaluation and follow-up of the Company's investments and market risks.
- Evaluation and follow-up of technical risks in the Company.
- Evaluation and follow-up of the Company's operational risks.
- Providing and presenting information packages and presentations to credit rating agencies.
- Ensuring the adequacy of the capital and the financial solvency of the Company.
- Preparing risk-based strategic objectives for action plans.
- Preparing studies for the Company's risk appetite.
- Preparing due diligence studies.
- Preparing risk-limit reports for each type of insurance.
- Developing and implementing preventive and precautionary plans and procedures to sustain the Company in the face of the various changes.
- Managing the risk management's quality standard in accordance with the international standard (ISO 31000).
- Managing the information security's quality standard in accordance with the international standard (ISO 27001).

Corporatre Governance Department Responsibilities:

- Ensuring Warba's commitment to operate within a legal framework and in conformity with the principles of governance, by setting the relevant necessary policies and procedures.
- Ensuring the implementation of all corporate governance instructions and listed companies, issued by the Capital Markets Authority.

- Following-up on the organization of the work of the Board of Directors and the committees emanating therefrom.
- Following-up on the organization of the work of the general assembly meetings of the Company's shareholders.

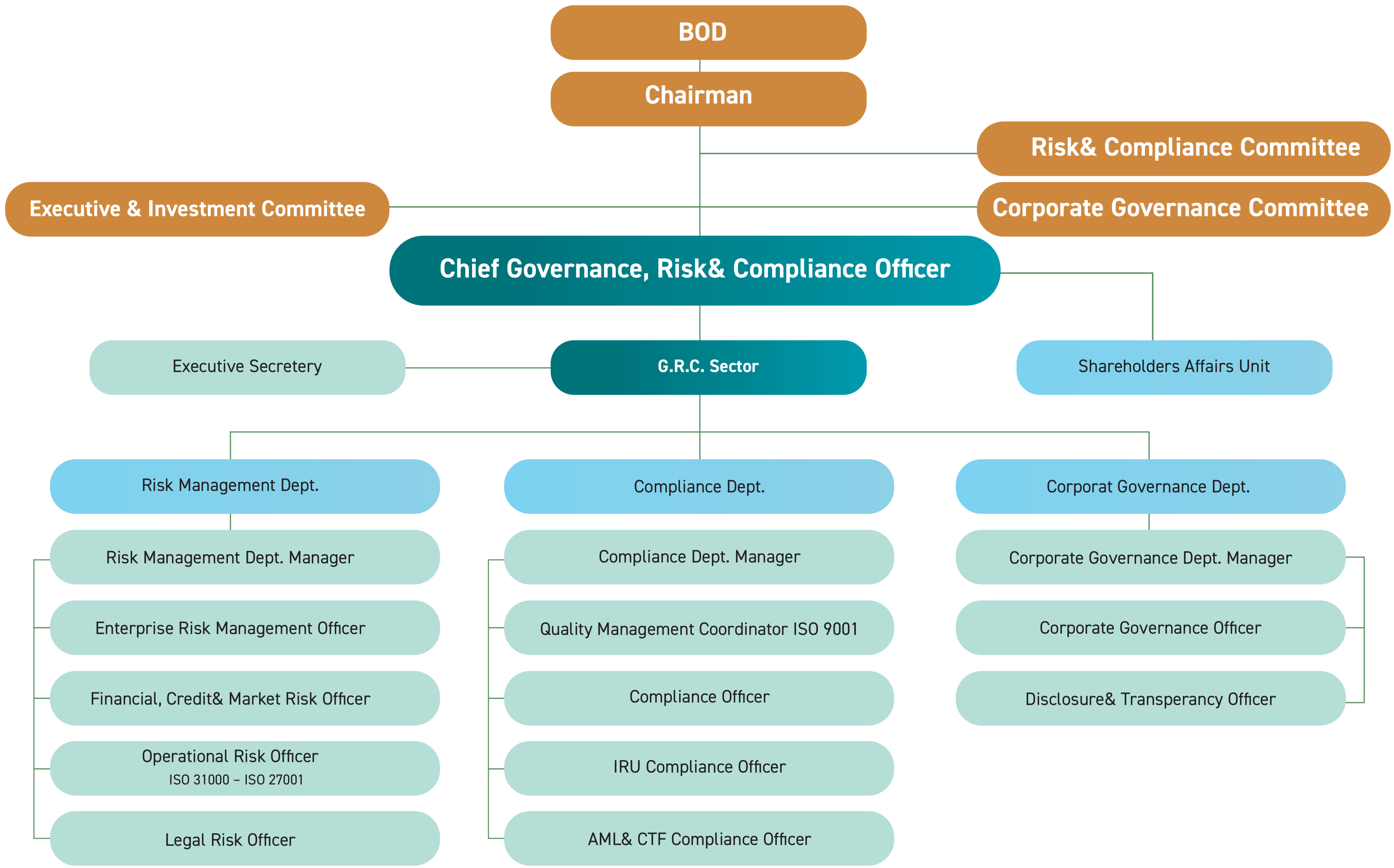
Responsibilities of the Compliance Department:

- Ensuring the Company's complies with all legal and regulatory obligations as required by the regulatory authorities.
- Meeting all regulatory requirements established by the Insurance Regulatory Unit.
- Following-up on all matters related to the activities of combating anti-money laundering and terrorist financing operations, setting the relevant policies, procedures and controls.
- Following-up on all matters related to the US Tax Compliance Act (FATCA), developing the relevant policies, procedures and controls.
- Following up on all matters related to the Common Reporting Standards (CRS) agreement, developing the relevant policies, procedures and controls.
- Develop and updating the policies and procedures for the Company's various departments.
- Preparing reports on the progress of work and applying the Company's internal policies and procedures.
- Following-up on all matters related to the application of administrative quality in accordance with quality standard "ISO 9001: 2015".

Duties of the Investors Affairs Unit Department:

- Availability and provision of necessary data, information and reports to current and potential investors.
- Strengthening channels of open dialogue and encouraging the exchange of information to enable the investors and financial analysts to reach clear visions about the Company's strengths and available future prospects.
- Providing a vision based on commitment to the highest standards of transparency and reliability, availing access to the latest information.
- Providing comprehensive information on our financial performance, including quarterly reports, data related to Kuwait Stock Exchange, profit statements and presentations to the business and investment community.
- Providing support to Warba's shareholders.

:Organizational Structure of the Governance, Risk and Compliance Sector



Brief on the implementation of the requirements for forming a risk management committee:

Warba Insurance Company complies with the instructions issued in Articles (4.6) and (4.7) of Book Fifteen (Corporate Governance) in terms of forming the Risk and Compliance Committee and the Board of Directors' specifying the membership term of its members and their method of work, according to the following tasks:

- Applying a unified vision to face risks at the institutional level, so as to ensure a consistent and highly efficient management of any risks to which the Company is exposed.
- Providing strategic direction and approving key strategic risk initiatives.
- Setting and developing strategic plans that reflect Warba's long-term goals and priorities.
- Following up on the implementation of strategies and policies approved by the Board of Directors.
- Monitoring the financial and operational results, comparing them with the set plans and objectives and the estimated budget.
- Monitoring and evaluating the efficiency and quality of investment operations in comparison with the Company's strategic plans and objectives and the revenues attained therefrom.
- Submitting periodic reports related to exposure to risks and the procedures to be adopted to avoid and control them.
- Developing and measuring the adequacy and efficiency of the Company's risk assessment and measurement methodologies.
- Ensuring the adequacy of liquidity and financing and the strength of the Company's solvency.
- Evaluating and following-up Warba's investments and market risks.
- Evaluating and following-up Warba's technical risks.
- Assessment and follow-up of the Company's operational risks.
- Providing and presenting information packages and presentations to credit rating agencies.
- Setting regulations, policies and studies to preserve the Company's capital and submitting periodic reports to the Board of Directors of any deviation.
- Managing the credit rating of the Company.

Brief indicating the internal control and monitoring systems:

- The Company's current internal control system aims to follow up on the effectiveness of the internal control systems with a view to ensure the effectiveness and efficiency of operations, the quality of internal and external reports and compliance with the laws and regulations through periodic audits, whether by Warba's Supervisory Sector or internal audit on all operations, preparing the necessary analytical reports and submitting them to the Board of Directors and the committees emanating therefrom to review and pass necessary decisions accordingly. This is in addition to the obligation to appoint external auditors to review and submit periodic mandatory reports to the various regulatory authorities.
- The Company is still committed to implementing the strategic stages presented by Boston Consulting Group (BCG) to restructure the organizational structure and job descriptions, as well as formal policies and regulations for operational tasks and processes.
- The Board reviews the policies and control systems with the senior management and internal control functions (including the Internal Audit Unit, Governance, Risk, Compliance and Information Security Sector) on a regular basis, in order to identify all areas that should be improved, and to identify clear and important risks and problems. The Board also ensures that oversight functions are properly established and have sufficient personnel and resources to carry out their responsibilities independently and effectively.
- In addition, the senior management has taken all necessary steps to implement the corporate governance instructions issued by the Capital Markets Authority. These steps include updating the existing corporate governance documents, preparing new documents, in addition to any other necessary actions required to fully implement these instructions.
- The effectiveness of the internal control systems is regularly reviewed by the Board of Directors and the relevant committees, which also receive audit reports prepared by the Governance, Risk and Compliance Sector and the Company's Internal Audit Unit.
- The Board of Directors has evaluated the effectiveness of the internal control systems, as on 31 December 2021, and

concluded that they are appropriate to provide moderate guarantees regarding the achievement of Warba's goals, and has recruited one of the consulting offices to evaluate these systems and issue the Internal Control Report (ICR) on the Company, in accordance with Article (6.9) of Book Fifteenth (Corporate Governance), which indicated the conformity of the applicable standards and that no violations have existed. This report was delivered to the Capital Markets Authority in accordance with the instructions.

Brief on the application of the requirements for forming an independent internal control department / office / unit:

Warba's internal audit department is independent from the Executive Management and reports to the audit committee directly. The director of internal audit has been appointed by the Audit Committee's nomination, where that nomination has been approved by the Board. The internal audit director can only be exempted from his position by the same committee. The Internal Audit Department submits its periodic reports to the Audit Committee, including a careful assessment of the application of the internal control procedures, their efficiency and effectiveness in the Company, the extent of the Executive Management's commitment to follow the approved control policies and procedures, and the reasons for non-application thereof, if any, as well as submitting recommendations and realistic solutions to any risks resulting from that non-application, upon which the Audit Committee submits its recommendations to the Board of Directors in return.

Rule Six

Promotion of Professional Conduct and Ethical Values

Brief on the Code of Ethics that includes standards and determinants of professional conduct and ethical values:

The Company's Code of Ethics, approved by its Board of Directors, includes the vision of Warba Insurance Company and the professional and ethical standards that it has adhered to as of its establishment, in which it has been keen to adhere to societal traditions and keep pace with international standards for the insurance industry. The Company's Board of Directors has always been keen to adhere to these standards and their reflection on all its operational activities, where the Code of Ethics is an important and essential guide for the Company's Board of Directors, its Executive Management and all its employees, so as to achieve what we aspire in terms of providing the best services to our customers and partners.

The Code of Ethics' principles include a number of basic standards, including the following:

- Sincerity: Every person in the Company is obligated to carry out his work tasks to the fullest and give his work enough time and effort to be performed optimally.
- Integrity, transparency, avoiding conflict of interest: Stakeholders enjoy a great deal of integrity and transparency that ensures that information, position or influence are not exploited for the purpose of profiting or obtaining specific interests, whatever they may be.
- Compliance with the laws and rules approved by the state and the regulatory authorities to which the Company is subject.
- Not to misuse the Company's resources and assets for the purpose of any personal interest and to employ them only for the interest of the Company.
- Maintaining the confidentiality of the exchange of information with any related parties, which the person has access to by virtue of his work in the Company.
- Maintaining fair competition standards with companies operating in the insurance sector.
- Encouraging and providing an appropriate mechanism for reporting improper practices that ensure confidentiality and protection of the reporting person, establishing a professional and immediate mechanism to deal with such reports.
- Other principles and standards that Warba Insurance Company adheres to, where its commitment stems from sensing the importance of work ethics and their positive impact on the Company.

Brief of the policies and mechanisms for reducing conflict of interest cases:

- The Company follows a serious policy to avoid conflicts of interest, applied at all levels; the Board of Directors, Executive Management and employees, and includes a number of rules, for example:
    - o None of the members of the Board of Directors, its Executive Management and their families are entitled to obtain additional benefits (direct or indirect interest in contracts and actions concluded with the Company or for its account), based on their positions in the Company, unless subject to a license issued by the ordinary general assembly.
    - o The Company has developed a mechanism for reporting suspected conflict of interest, whether the reporter is a member of the Board or the Executive Management.
    - o The Company has developed a policy for dealings with related parties, which includes a series of audits and reviews to ensure avoidance of conflict of interest.
    - o The Company shall not guarantee any of its Board members in obtaining financial facilities or loans of any kind.
    - o The members of the Board of Directors and its Executive Management shall abide by the highest standards of professional ethics.

Rule Seven

Accurate and Timely Disclosure and Transparency

Brief on the application of accurate and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure:

- Warba Insurance Company, as a listed company, is committed to a disclosure policy and mechanism, in implementation of the instructions of the Capital Markets Authority in this regard. It has always been keen to implement that policy and mechanism. All Company's disclosures can be viewed and accessed through:
    - o The news section on the Company's page on Kuwait Stock Exchange website (Boursa Kuwait).
    - o The Company's official website under the "Corporate Governance" section.
- Objective: The Company is committed to the regulatory authorities and stakeholders to accurate, balanced and timely disclosure of all material, financial and non-financial information and all that is required to be disclosed in accordance with the Authority's instructions and Law No. 0(7/2010), as well as the Executive Regulations, as aforementioned.
- The Disclosure Policy also establishes specific responsibilities and tasks entrusted to the Governance, Risk and Compliance Sector, including ensuring that disclosure is defined and carried out in an appropriate and timely manner, so as to ensure the right of the Board of Directors, Executive Management, shareholders and stakeholders to remain updated.

Brief on the application of the disclosure requirements for the members of the Board, Executive Management and Directors:

The Company, based on the instructions of the Capital Markets Authority, maintains a special record of the disclosures made by members of the Board of Directors and the Executive Management. The record shall include a summary about the members of the Board and the Executive Management, and shall be reviewed by the external auditors as a measure within the periodic audit procedures. Accessing that record shall also be available.

Brief on the application of the requirements for forming the Investors Affairs Regulatory Unit:

Warba Insurance Company complies with the instructions issued in Article (7.8) of Book Fifteen (Corporate Governance) in terms of forming the Investors Affairs Regulatory Unit, where the Unit shall report to the Company's Governance, Risk and Compliance Sector, pursuant to the following tasks:

- Availability and provision of necessary data, information and reports to current and potential investors.
- Enhancing channels of open dialogue and encouraging the exchange of information in order to enable investors and financial analysts to gain clear insights into the Company's strengths and available future prospects.
- Providing a vision based on commitment to the highest standards of transparency and reliability and providing access

to latest information.

- Provide comprehensive information on our financial performance, including interim and annual reports, data related to Kuwait Stock Exchange, profit statements and presentations addressing business and investment community.

Brief on how to develop information technology infrastructure and rely heavily thereon in disclosures:

Stemming from Warba's keenness to adhere to the rules of integrity and transparency stipulated for in the instructions of the Capital Markets Authority, it has established a special section for corporate governance on its website, with a view to provide all information and data that help the Company's shareholders and current and potential investors to exercise their rights and evaluate the Company's performance through available and updated information, in addition to its sticking to updating and developing the disclosure processes on an ongoing basis. Thus, disclosures made by the Company since 2014 may be accessed. Boursa Kuwait has also provided easy access to the Warba's page on its website, in addition to updating all information and disclosures periodically.

Rule Eight

Respect for Shareholders Rights

Brief of the application of the requirements for defining and protecting shareholders' general rights, in order to ensure justice and equality among them all:

Warba maintains a record for all its current shareholders with Kuwait Clearing Company, in addition to a record that it keeps at its premises that includes its shareholders' names and number of shares owned by each, where any actions carried out thereon is to be recorded in the presence of the person who carried it out and a representative of the Company. Since the Company's shares are nominal, only the last owner recorded thereto is entitled to receive the amounts due for each share. Each share entitles its owner to a stake equal to that of others, without discrimination in the ownership of the Company's assets and in the divided profits. Shareholder enjoys the following rights:

- Receipt of cash dividends and distributed bonus shares, based on the recommendation of the Board of Directors and as approved by the Company's general assembly.
- Participation in the management of the Company through membership in the Board of Directors, attending general assemblies and participating in their deliberations.
- Obtaining, prior to the general assembly, the Company's financial statements, the report of the Board of Directors and the auditor's report.
- Disposing of the shares owned thereby and priority in subscribing to new shares, bonds and sukuk.
- Obtaining a share of the Company's assets upon liquidation after paying off any debts.
- Obtaining data and information about the Company's activity.

Brief on establishing a special record to be kept with the clearing agency, as part of the requirements for continuous follow-up of shareholders' data:

The Company maintains a special record for its shareholders with Kuwait Clearing Company and keeps it updated, along with updating shareholders' balances based on the trading operations that take place in the stock exchange. A weekly report is also prepared regarding the shareholders' balances, in order to follow up on any periodic changes introduced thereto and their ownership percentages.

Brief on how shareholders are encouraged to participate and vote in the meetings of the Company's assemblies:

- Sending invitations to all shareholders to attend the general assembly meeting, including the agenda of the meeting.
- Publishing reminders of those invitations and the agenda in at least two major newspapers, announcing the same on Boursa Kuwait website.
- The report of the Board of Directors, the auditor's report, the governance report, the audit committee report and the report of the nomination and remuneration committee are to be read to the shareholders during the Company's general assembly meeting.

- Each shareholder shall have a number of votes equal to the number of his shares.
- Each shareholder is entitled to vote in person or by proxy.
- Introducing voting rules and methods to facilitate it to shareholders.
- The financial statements, Company information, general assemblies' minutes and other essential information shall be made available to all shareholders for information and without any fees, during the Company's official working hours or through the Company's website in terms of some data.

Rule Nine

Recognition of Stakeholders' Roles

Brief on the systems and policies that guarantee protection and recognition of stakeholders' rights:

- Warba Insurance Company is committed to protecting the rights of stakeholders within the framework of governance, risk and compliance sector, where the Company takes all necessary measures to guarantee these rights and sets policies for the protection of stakeholders.
- The Company's Board of Directors sets and follows up the activation of laws, policies and procedures that guarantee the rights of stakeholders (shareholders, clients, regulatory authorities, employees, suppliers as well as society). All stakeholders are treated equally and without discrimination.
- The Company ensures that stakeholders have easy access to information and data about its activities on a regular and accurate basis.
- The Company always seeks to encourage stakeholders to participate in following up on the Company's various activities, for example:
- Inviting shareholders to participate and vote in the General Assembly and facilitate procedures for them.
- Developing policies and procedures for operation processes with the aim of facilitating matters to customers and ensuring communication with them by all modern means of communication.
- Developing the Company's website to provide more information and communicate with various stakeholders.
- Warba ensures easy access to its information, data and disclosures to shareholders and regulatory authorities.

Brief on how stakeholders are encouraged to participate in following up on the Company's various activities:

Warba Insurance Company has adopted policies and mechanisms to ensure that all stakeholders contribute to its activities, in accordance with its objectives, vision and values, within a specific framework of governance.

Example of these policies is the reporting policy, which provides safe and protected communication channels for stakeholders to report any improper practices, in addition to any constructive proposals to the Company's Board of Directors.

Rule Ten

Performance Improvement and Enhancement

Brief on the application of the requirements for setting up mechanisms that allow Board members and Executive Management to receive continuous training programs and courses:

- Continuous training and guidance for the members of the Board of Directors reflects the Company's commitment to maintaining the performance of the members of the Board and the committees emanating therefrom, as well as to keeping abreast of the successive developments that the market is going through.
- Warba Insurance Company is keen to maintain sound corporate governance practices. Therefore, the Board of Directors has formed various committees to assist and enable the Board to carry out its role effectively.
- Developing a training program, approved by the Board of Directors, that includes training courses and workshops for both the Board of Directors and the Executive Management.

Brief on how to evaluate the performance of the Board of Directors as a whole, and the performance of each member of the Board of Directors and the Executive Management:

The Company has set its own performance evaluation and measurement policy in line with the instructions and requirements of the Authority in this regard. Such policy is being periodically updated and approved by the relevant committees and the Board of Directors. In evaluating the performance of the Board and the Executive Management, the Company relies on a self-evaluation model for each of the Board Chairman, Vice-Chairman and each of the members of the Board and the Executive Management. The form is to be completed and submitted to the Nomination and Remuneration Committee for review and approval, based on objective performance indicators (KPIs) through which the performance of the Board of Directors as a whole and each of the Board's committees shall be evaluated, where several qualitative and quantitative indicators shall be considered when conducting the assessment, in accordance with Book Fifteen of the Executive Regulations - Rule Ten. The aforementioned evaluation of the Board of Directors and the Executive Management shall be conducted on an annual basis.

Brief on the Board of Directors' efforts for creating value for the Company's employees, through achieving strategic goals and improving performance rates:

Warba Insurance Company is keen to follow a firm institutional system that ensures a stable workflow even in case of changing any individuals, through the development of a number of policies and procedures approved by the Board of Directors, which implementation and activation shall be monitored through the Company's Supervisory Sector (Governance, Risk and Compliance Sector). This is in addition to the Company's reliance on a training and qualification plan, whether for new or existing employees, in order to raise efficiency and keep pace with the updates. The Company also relies on modern electronic systems in managing all its technical, operational, financial and administrative operations.

Rule Eleven

Focusing on the Importance of Social Responsibility

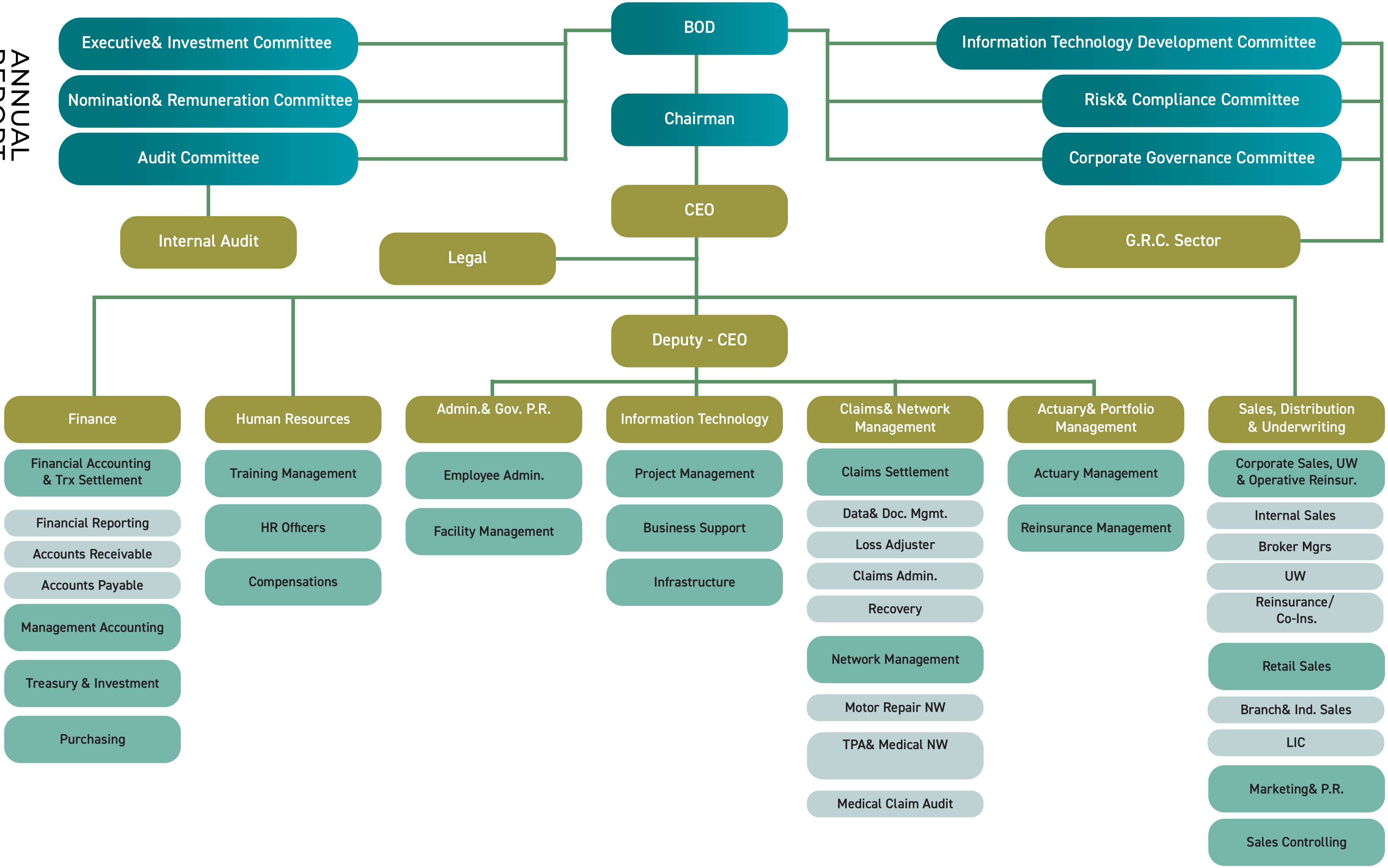
Brief on setting a policy that ensures achieving a balance between the Company's goals and those of society:

Since its foundation, Warba Insurance Company has been seeking to create a balance between its and the society's goals, which is an easy matter since there was no conflict between both sides, but rather how to employ the Company's goals to serve the society and take advantage of the latter's goals to create investment opportunities. Hence, Warba has always sought to raise insurance awareness in the society and did not hesitate to benefit from every possible opportunity, whether it was a national, recreational, sports or any other occasion, to spread insurance culture, raise awareness of its importance and design services in line with our society and cover its requirements. That policy has achieved success and the desired goal up to date.

Brief on the programs and mechanisms used, which help highlighting Warba's efforts in the field of social work:

- Warba is working on investing in its most important resources first, which are its employees, or what can be called the small community as well as the society as a whole.
- Warba is keen to conclude understandings, agreements and partnerships with various national institutions, for example providing sponsorship and support for some sporting and service programs and events and other community activities, for example:
- Providing schools with smart classes.
- Organizing the "How Much We Care" campaign.
- Sponsoring the Friends of Kannur Kuwait Expats Association (FOKE)
- Donating to Kuwaiti Al-Najat Charitable Society.
- Donating to Kuwait Red Crescent Society.

Organizational Structure of Warba Insurance Company:



Board of Directors' Report on the Internal Control Systems for the Year 2021:

The Board of Directors of Warba Insurance Company is responsible for approving and reviewing the effectiveness of the internal control systems with a view to ensure the operations' effectiveness and efficiency, the quality of internal and external reports and compliance with the laws and regulations. The Governance, Risk and Compliance Departments are responsible for establishing and designing internal control systems in all sectors of the Company and monitoring their implementation to ensure risk reduction and preservation of shareholders' rights. The internal control system constitutes a safety valve to maintain the Company's financial position.

The Board of Directors has approved the Company's organizational structure in accordance with the Corporate Governance Rules and the policies and procedures for compliance with the laws in force in the State of Kuwait, while ensuring complete separation of responsibilities and tasks to avoid any conflict of interests, while not granting absolute powers to the Executive Management and applying the Four Eyes Principle, in addition to reviewing job descriptions and detailing the roles and responsibilities of the Governance Committee, as well as the official policies and regulations for operational tasks and processes. These policies and regulations define for each job the duties and responsibilities, the authorities and the reporting procedures at the different levels of management, so that the principle of double control, the separation of duties and the prevention of conflict of interest shall be achieved.

The Board shall regularly review the policies and control systems with the Supervisory Sector and internal control functions, including (the Internal Audit Department, the Governance, Risk and Compliance Sector and IT Security Technology), in order to identify the areas that need improvement and to fill the gaps and reduce the risks to which the Company is exposed. The Board also ensures that oversight functions are set correctly and have sufficient employees and resources to carry out their responsibilities independently and effectively and grant them the necessary powers to carry out their duties to the fullest extent, with a view to ensure shareholders' rights.

In addition, the Governance, Risk and Compliance Sector has taken the necessary steps to implement the corporate governance instructions issued by the Capital Markets Authority. These steps include updating the existing corporate governance documents, preparing the required documents and reports, in addition to any other measures necessary to fully implement these instructions.

The effectiveness of the internal control systems is regularly reviewed by the Board of Directors and the committees emanating therefrom, which also receive audit reports prepared by the Corporate Governance, Risk and Compliance Sector and the Company's Internal Audit Department.

The Board of Directors has evaluated the effectiveness of the internal control systems, as at 31 December 2021, and has concluded that they are adequate to provide moderate assurance regarding the achievement of the Company's objectives, in addition to recruiting an external audit office (in accordance with Article (6.9) of the Corporate Governance Instructions to review the adequacy of the Company's internal control systems and prepare the ICR report, to be submitted to the Capital Markets Authority on an annual basis.

Report of the Risk and Compliance Committee for the year ending 31 December 2021:

The Risk and Compliance Committee has held (5) meetings during the year 2021 and carried out all the tasks entrusted thereto in accordance with the charter of the Committee, the laws operating in the State of Kuwait and the organizing instructions, in a manner that covers all the Company's financial and operational activities, capital adequacy and solvency, as well as information technology risks, in accordance with the approved risk appetite plan. The Board of Directors approved all recommendations of the Committee.

Report of the Audit Committee for the year ending 31 December 2021:

The Audit Committee has held (6) meetings during the year 2021 and carried out all the tasks entrusted thereto in accordance with the charter of the Committee and the organizing instructions, covering all the activities of the Company and its organizational structure, in accordance with the approved audit plan. The Board of Directors approved all recommendations of the Committee.

CONSOLIDATED FINANCIAL STATEMENT

REPORT FOR THE YEAR ENDED

DECEMBER 31, 2021

WARBA INSURANCE COMPANY K.S.C.P.
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

WARBA INSURANCE
وربـــة للتأمـــين

الكويت في 2021/02/21

إقرار وتعهد

(سلامة ونزاهة البيانات المالية)

نقر ونتعهد نحن رئيس وأعضاء مجلس إدارة شركة وربة للتأمين (ش.م.ك.ع)، بدقة وسلامة البيانات المالية التي تم تزويد المدققين الخارجيين بها، وبأن جميع التقارير المالية للشركة قد تم عرضها بالصورة العادلة والصحيحة وتشمل كافة الجوانب المالية للشركة من بيانات و نتائج تشغيلية، وتم إعدادها وفقاً لمعايير المحاسبة الدولية المطبقة في دولة الكويت والمعتمدة من قبل هيئة أسواق المال، وأن تلك البيانات تعبر بدقة عن المركز المالي للشركة كما في نهاية العام المالي المنتهي في 31 ديسمبر 2021، وذلك بناءاً على ما تم تقديمه لمجلس إدارة الشركة من معلومات وتقارير من قبل الإدارة التنفيذية ومدققي الحسابات وبذل العناية الواجبة للتحقق والتأكد من سلامة وصحة هذه التقارير.

إسم العضو	المنصب	التوقيع
السيد / أنور جواد بوخمسين	رئيس مجلس الإدارة	....
الشيخ / محمد جراح الصباح	نائب رئيس مجلس الإدارة	....
السيد / رائد جواد بوخمسين	عضو مجلس الإدارة	....
السيد / حازم المطيري	عضو مجلس الإدارة	....
السيد / رفعت غلاييني	عضو مجلس الإدارة	....
السيد / رافد الرفاعي	عضو مجلس الإدارة (مستقل)	....
السيد / محمد المباركي	عضو مجلس الإدارة (مستقل)	....

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working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Warba Insurance Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts amounting to KD 12,096,387 representing 10% of the Group's total assets are significant to the Group's consolidated financial statements as at 31 December 2021. The determination as to whether a receivable is collectable involves significant management judgement. Management considers specific factors, which include the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a allowance for impairment is required either for a specific transaction or for a customer's balance.

We determined this to be a key audit matter because it requires a high level of management judgement and due to the materiality of the amounts involved.

Our audit procedures included evaluating the ageing analyses of receivable balances where no allowance for impairment was recognised, to assess whether there are any indicators of impairment. This included verifying if payments had been received subsequent to the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates.

We selected a sample of receivable balances where allowance for impairment of receivables was recognised and inquired about the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements, we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments have been received up to the date of completing our audit procedures. We also obtained corroborated evidences including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

By performing the procedures mentioned above, we also assessed management's rationale where allowances for impairment were recognised on transactions that were not overdue as at the reporting date.

Further, we assessed the adequacy of disclosures relating to the receivables arising from insurance and reinsurance contracts given in Note 9 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Insurance Contract Liabilities

Insurance contract liabilities include: (“Outstanding Claims reserve” or “OCR”), (“Unearned Premiums Reserve” or “UPR”), (“Life Mathematical Reserve” or “LMR”) and (“Incurred But Not Reported reserve” or “IBNR”). Insurance contract liabilities are significant to the Group’s consolidated financial statements as at 31 December 2021. As disclosed in Note 2.5 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities. The Group uses different models to calculate the insurance contract liabilities. The Group uses valuation models to support the calculations of the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

Actuarial assumptions such as mortality, morbidity and customer behavior, along with Groups historical claims data are key inputs used to estimate these long-term liabilities. Due to the significance of estimation uncertainty associated with the determination of the insurance contract liabilities, this is considered a key audit matter.

The Group uses the work of a management’s specialist, and an external independent actuary for the determination of Insurance contract liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management’s specialist and external independent actuary and evaluating their work, which involved analysing the rationale for the economic and actuarial assumptions used by the managements of the Group along with comparison to applicable industry benchmarks. Our internal actuarial specialists were part of our audit team to assist us in evaluating the key inputs and assumptions.

In addition, we have performed test of controls in place, checked the design and the operating effectiveness of key controls. We have also performed substantive analytical procedures, and tested on a sample basis the accuracy of the historical data used, and reasonableness of assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis whenever required, in the context of both the Group and industry experience and specific product features. We further evaluated the adequacy of disclosures relating to insurance contract liabilities in Note 16 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's 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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM AL SAMDAN
LICENCE NO. 208-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

21 February 2022
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

	Notes	***2021 KD***	*2020 KD*
Revenues:			
Gross premiums written		**34,211,716**	30,632,653
Premiums ceded to reinsurers		**(15,413,822)**	(14,691,531)
Net premiums written		**18,797,894**	15,941,122
Movement in unearned premiums reserve		**(770,815)**	15,964
Movement in life mathematical reserve		**(62,776)**	(19,400)
Net premiums earned		**17,964,303**	15,937,686
Commissions income earned on ceded reinsurance		**1,438,938**	1,405,594
Policy issuance fees		**75,486**	124,728
		19,478,727	17,468,008
Expenses:			
Net claims incurred	16	**(11,475,361)**	(9,047,843)
Commissions and premiums' acquisition costs		**(2,234,329)**	(2,046,279)
General and administrative expenses		**(3,425,294)**	(3,264,812)
		(17,134,984)	(14,358,934)
Net underwriting income		**2,343,743**	3,109,074
Net investment income / expense	3	**1,334,785**	908,021
Other insurance services income		**444,506**	433,971
Foreign currency exchange differences		**92,138**	(418,080)
Other income		**50,536**	39,345
Share of results of associates	6	**403,557**	243,392
		4,669,265	4,315,723
Other expenses:			
Unallocated general and administrative expenses		**(956,226)**	(1,209,257)
Other insurance services expense		**(559,547)**	(718,151)
Allowances for impairment for doubtful and bad debts	9	**(700,000)**	(500,000)
		(2,215,773)	(2,427,408)
Profit before contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST) and Zakat		**2,453,492**	1,888,315
Contribution to KFAS		**(22,036)**	(17,776)
NLST		**(81,244)**	(44,662)
Zakat		**(30,035)**	(16,557)
PROFIT FOR THE YEAR		**2,320,177**	1,809,320
Attributable to:			
Equity holders of the Parent Company		**2,343,147**	1,822,172
Non-controlling interest		**(22,970)**	(12,852)
		2,320,177	1,809,320
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	4	**13.77 Fils**	10.53 Fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
Profit for the year		**2,320,177**	1,809,320
Other comprehensive income:			
Items that are or may be reclassified to the consolidated statement of income in subsequent periods:			
Net unrealised gain (loss) of financial assets available for sale		**2,707,584**	(1,777,564)
Impairment loss on financial assets available for sale	3	**30,906**	172,420
Share of other comprehensive gain of associates	6	**33,075**	593
Other comprehensive income (loss) for the year		**2,771,565**	(1,604,551)
Total comprehensive income for the year		**5,091,742**	204,769
Attributable to:			
Equity holders of the Parent Company		**5,114,712**	217,621
Non-controlling interests		**(22,970)**	(12,852)
		5,091,742	204,769

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	*31 December 2021 KD*	*31 December 2020 KD*
ASSETS			
Property and equipment	5	**7,235,392**	7,308,776
Investment in associates	6	**8,076,790**	7,683,578
Loan secured by life insurance policies		**22,288**	26,918
Financial assets available for sale	7	**24,727,974**	19,267,759
Financial assets at fair value through profit or loss	8	**9,288,767**	8,960,006
Reinsurance share in outstanding claims reserve	16	**42,188,938**	45,469,252
Insurance and reinsurance receivables	9	**12,096,387**	12,728,033
Other assets	10	**6,621,005**	6,662,918
Fixed deposits	11	**5,488,820**	6,588,215
Cash and cash equivalents	12	**7,445,592**	5,733,749
TOTAL ASSETS		**123,191,953**	120,429,204
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**17,710,846**	17,710,846
Statutory reserve	14	**8,781,109**	8,781,109
General reserve		**4,000,000**	4,000,000
Voluntary reserve	14	**764,895**	764,895
Treasury shares	15	**(893,031)**	(1,275,970)
Treasury shares reserve		**305,756**	164,760
Cumulative changes in fair values reserve		**7,608,455**	4,836,890
Retained earnings		**2,423,828**	2,126,424
Equity attributable to equity holders of the Parent Company		**40,701,858**	37,108,954
Non-controlling interests		**(64,969)**	(41,999)
Total equity		**40,636,889**	37,066,955
Liabilities			
Long term loan		**4,000,000**	2,000,000
Insurance contract liabilities	16	**59,663,899**	62,555,184
Insurance and reinsurance payables	17	**9,641,318**	8,794,212
Other liabilities	18	**9,249,847**	10,012,853
Total liabilities		**82,555,064**	83,362,249
TOTAL EQUITY AND LIABILITIES		**123,191,953**	120,429,204

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarrah Sabah Al-Sabah
Vice Chairman

WARBA INSURANCE
وربـــــة للتأمـــين

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Equity attributable to equity holders of the Parent Company										
	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values reserve KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2021	17,710,846	8,781,109	4,000,000	764,895	(1,275,970)	164,760	4,836,890	2,126,424	37,108,954	(41,999)	37,066,955
Profit (loss) for the year	-	-	-	-	-	-	-	2,343,147	2,343,147	(22,970)	2,320,177
Other comprehensive income	-	-	-	-	-	-	2,771,565	-	2,771,565	-	2,771,565
Total comprehensive income (loss) for the year	-	-	-	-	-	-	2,771,565	2,343,147	5,114,712	(22,970)	5,091,742
Bonus shares (Note 13)	-	-	-	-	824,541	(106,469)	-	(718,072)	-	-	-
Cash dividends (Note 13)	-	-	-	-	-	-	-	(1,327,671)	(1,327,671)	-	(1,327,671)
Net movement in treasury shares	-	-	-	-	(441,602)	247,465	-	-	(194,137)	-	(194,137)
As at 31 December 2021	**17,710,846**	**8,781,109**	**4,000,000**	**764,895**	**(893,031)**	**305,756**	**7,608,455**	**2,423,828**	**40,701,858**	**(64,969)**	**40,636,889**
As at 1 January 2020	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	6,441,441	1,951,903	38,107,012	(29,147)	38,077,865
Profit (loss) for the year	-	-	-	-	-	-	-	1,822,172	1,822,172	(12,852)	1,809,320
Other comprehensive loss	-	-	-	-	-	-	(1,604,551)	-	(1,604,551)	-	(1,604,551)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(1,604,551)	1,822,172	217,621	(12,852)	204,769
Bonus shares	431,972	-	-	-	-	-	-	(431,972)	-	-	-
Cash dividends	-	-	-	-	-	-	-	(1,215,679)	(1,215,679)	-	(1,215,679)
As at 31 December 2020	17,710,846	8,781,109	4,000,000	764,895	(1,275,970)	164,760	4,836,890	2,126,424	37,108,954	(41,999)	37,066,955

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST and Zakat		**2,453,492**	1,888,315
Adjustments to reconcile profit for the year to net cash flows:			
Unrealised (gain) loss of financial assets at fair value through profit or loss	3	**(332,940)**	366,017
Gain on sale of financial assets available for sale	3	**(144,968)**	-
Realized (loss) gain from sale of financial assets at fair value through profit or loss	3	**70,749**	(17,973)
Impairment loss on financial assets available for sale	3	**30,906**	172,420
Allowances for impaired receivables	9	**700,000**	500,000
Dividend income	3	**(657,740)**	(1,001,359)
Interest income	3	**(492,188)**	(517,894)
Share of results of associates	6	**(403,557)**	(243,392)
Depreciation of property and equipment	5	**214,141**	182,109
Provision for employees' end of service benefits		**261,945**	173,155
Gain from addition to investment in associate	6	**(40,080)**	-
Foreign currency exchange differences		**(15,815)**	418,080
		1,643,945	1,919,478
Changes in operating assets and liabilities:			
Reinsurance share in outstanding claims reserve		**3,280,314**	3,733,440
Insurance and reinsurance receivables		**(68,354)**	275,788
Other assets		**15,916**	(503,263)
Insurance contract liabilities		**(2,891,285)**	(2,729,946)
Insurance and reinsurance payables		**847,106**	(383,737)
Other liabilities		**(1,016,441)**	2,921,705
Cash flows from operations		**1,811,201**	5,233,465
Employees' end of service benefits paid		**(176,867)**	(273,449)
Net cash flows from operating activities		**1,634,334**	4,960,016
INVESTING ACTIVITIES			
Net movement in fixed deposits		**1,099,395**	83,385
Purchase of financial assets at fair value through profit or loss		**(4,983,589)**	(3,587,904)
Purchase of financial assets available for sale		**(4,220,000)**	(600,000)
Proceeds from sale of financial assets at fair value through profit or loss		**4,917,019**	2,191,041
Dividends proceed from investment in associates	6	**128,500**	125,502
Proceeds from sale of financial assets available for sale		**1,589,710**	-
Movement on loans secured by life insurance policies		**4,630**	(426)
Purchase of property and equipment	5	**(140,757)**	(188,693)
Dividends received		**679,518**	939,176
Interest income received		**534,850**	517,894
Addition to investment in associate	6	**(45,000)**	-
Purchase of treasury shares		**(3,430,712)**	-
Proceed from sale of treasury shares		**3,236,575**	-
Net cash flows used in investing activities		**(629,861)**	(520,025)
FINANCING ACTIVITIES			
Dividend paid		**(1,292,630)**	(1,120,385)
Proceeds from long term loan		**2,000,000**	2,000,000
Net cash flows from financing activities		**707,370**	879,615
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,711,843**	5,319,606
Cash and cash equivalents as at 1 January		**5,733,749**	414,143
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	12	**7,445,592**	5,733,749

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statement of Warba Insurance Company K.S.C.P. (the "Parent Company") and its subsidiary – WAPMED TPA Services Company K.S.C.C. (collectively "the Group") for the year ended 31 December 2021 were authorised for issuance with a resolution of the Board of Directors on 21 February 2021. The general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company is a subsidiary of Bu-Khamseen Holding Company (the "Ultimate Parent Company").

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the Parent Company's Articles of Association. The Parent Company's registered head office address is at P. O. Box 24282, Safat 13103, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets available for sale and financial assets at fair value through profit and loss that have been carried at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Parent Company.

Further, certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications were made in order to more appropriately present certain items of consolidated statement of income, consolidated statement of financial position and consolidated statement of cash flows, and disclosures. Such reclassifications do not affect previously reported equity and profit for the year.

As permitted by IFRS 4 Insurance Contracts, the Group continues to apply the accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard subsequent to adoption for its insurance contracts.

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in the respective notes, if any.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2021 (together referred to as "the Group") as follows:

	Incorporation country	**Activity**	**Ownership (%) 31 December 2021**	Ownership (%) 31 December 2020
WAPMED TPA Services Company K.S.C. (Closed)	Kuwait	Administrative services to insurance companies.	**82.57**	82.57

Subsidiary is an investee that the Group has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Parent Company's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial information of subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income.

Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent measurement takes place at fair value with changes in fair value recognised in the consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets
Disclosures relating to impairment of non-financial assets are summarised in the following notes:
a) Disclosures for significant assumptions (Note 2.5)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

The following criteria are also applied in assessing impairment of goodwill:

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised.

Previously recorded impairment losses for goodwill are not reversed in future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Product classification

Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur.

Investment contracts

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a non–financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the acquiring or renewals of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums from insurance contract.

Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts. These costs are subsequently amortised over the terms of the insurance contracts to which they relate, in line with the line of business premiums earned.

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 amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the consolidated statement of income.

Property and equipment

Property and equipment, including owner-occupied property is stated at cost, excluding the costs of day-to-day Servicing, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Replacement or major inspection costs are capitalised when incurred, if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

▸ Buildings	35 years
▸ Furniture and equipment	5 years
▸ Computers and software	5 to 8 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end and adjusted prospectively, if appropriate.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
Projects under progress are stated at cost less impairment losses, if any, until projects are complete. Projects under progress includes costs for long-term projects if the recognition criteria are met. Upon the completion of projects, the costs of such asset together with the cost directly attributable to projects are transferred to the respective class of asset. No depreciation is charged on projects under progress.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiary. The Group's investment in associates is accounted for using the equity method.

Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of the associates is presented as part of the other comprehensive income of the Group. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The aggregate of the Group's share of result of an associate is included in the consolidated statement of income.

The financial statements of the associates are prepared for the same reporting period as the Group or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the impairment loss of investment in associates in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

The Group's financial assets include "financial assets available for sale", "financial assets at fair value through profit or loss" and "receivable balances". During the year end as at 31 December, the Group did not have any derivatives instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets available for sale
Financial assets available for sale "AFS" include equity investments and debt securities. Equity investments classified as financial assets available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited or debited to the financial assets available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income as gain or (loss) of financial assets available for sale , or the investment is determined to be impaired, when the cumulative loss is reclassified from the financial assets available for sale reserve to the consolidated statement of income as impairment in financial assets available for sale. Interest earned whilst holding financial assets available for sale is reported as interest income. Dividends earned whilst holding available for sale investments are recognised in the consolidated statement of income as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from available for sale investments reserve the consolidated statement of income.

The Group evaluates whether the ability and intention to sell its financial assets available for sale in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

Financial assets available for sale when fair value cannot be reliably measured, are carried at cost less impairment loss, if any.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and non-trading financial assets designated upon initial recognition as at fair value through statement of income. Financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value being recorded in the consolidated statement of income. Transaction costs associated with the acquisition of financial assets at fair value through profit or loss are expensed as incurred.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in consolidated statement of income.

Non-trading financial assets may be designated at initial recognition as financial assets designated as at fair value through statement of income if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a Group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment and risk management strategy.

The Group evaluated its financial assets at fair value through profit or loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through consolidated statement of income using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Receivable balances
Receivable balances are stated at their face value less impairment losses or allowance for doubtful accounts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)
Fixed deposits
Fixed deposits are deposits with an original maturity of more than three months but less than one year.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances, cash in portfolios, deposits with an original maturity of less than three months and bank overdrafts.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Impairment of financial assets
The Group 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 indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised in other comprehensive income.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings and payables. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Subsequent measurement
Subsequent measurement of financial liabilities depends on their classification, as follows:

Interest bearing loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value measurement
The Group measures financial instruments such as available for sale investments, financial assets through profit or loss, at fair value at each reporting date.

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 to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
Assets, liabilities and equity items for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

A)	Disclosures for significant accounting judgements, estimates and assumptions	Note 2.5
B)	Financial instruments	Note 25
C)	Quantitative disclosures of fair value measurement hierarchy	Note 25

Reinsurance contracts held
The Group cedes insurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract/agreement.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance risk assumed
The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the EIR method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3, have been met.

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at banks, on hand and in portfolios, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with a maturity of three months or less.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat
Contribution to Zakat is calculated in accordance with the requirements of Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Foreign currencies
Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of income are also recognised in other comprehensive income or consolidated statement of income, respectively).

Cash dividend to equity holders of the Parent Company
The Parent Company recognises a liability to make cash distributions to equity holders of the Parent Company when the distribution is authorised and it is no longer at the discretion of the Parent Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Life insurance contract liabilities
Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the net premium level method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, if any, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, as determine by the Group's actuary. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the consolidated statement of income in 'Gross change in contract liabilities'. The liability is derecognised when the contract expires, is discharged or cancelled.

Non-life insurance contract liabilities
Non-life insurance contract liabilities include the outstanding claims provision and the provision for unearned premium.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data, historical data, based on previous experience and current assumptions that may include a margin for adverse or positive deviation. In specific cases, independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

Insurance payables
Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the EIR method.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Gross premiums

Insurance premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy becomes effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense.

Premiums relating to the expired risk period is taken as earned and recognised as revenue for the year while premium relating to the unexpired risk period is treated as a reserve for unexpired risks.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on proportion basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Reinsurance premiums on life are recognised as an expense on the earlier of the date when premiums are payable or on the date on which the policy becomes effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts and calculated on proportion basis.

Reinsurance premiums and claims on the face of the consolidated statement of income have been presented as negative items within premiums and claims, respectively, because this is consistent with how the business is managed.

Fees and commission income

Insurance and investment contracts policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset. Interest is included in the net investment income in the consolidated statement of income.

Dividend income

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

Net realised gains and losses

Net realised gains and losses recorded in the statement of income include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value of the investments and are recorded on occurrence of the sale transaction.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gross claims
Gross claims for life insurance contracts include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost
Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Employees' end of service benefits
The Group provides end of service benefits to its employees in accordance with Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Treasury shares
Treasury shares consist of the Group's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (Treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

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

Contingent liabilities and assets
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards did not have material impact on the financial performance or consolidated financial position of the Group.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Judgement
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of investments
Classification of investments is based on management's intention at acquisition and requires considerable judgment.

Impairment of financial assets available for sale
The Group treats financial assets available for sale equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows.

(ii) Estimation and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment
The Group's management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment losses on receivables arising on insurance and reinsurance
The Group reviews its receivables on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimation and assumptions (continued)

Fair value of financial instruments
When the fair value of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, they are determined using valuation techniques including the price to book method and the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, lack of marketability, market multiple of price to book value and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Life insurance contract liabilities
The liability for life insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to the consolidated statement of income over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of income. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure. Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current market risk rates, adjusted for the Group's own risk exposure.

Claims requiring court or arbitration decisions are estimated individually. In specific cases, independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a regular basis.

Non-life insurance contract liabilities
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimation and assumptions (continued)

Reinsurance
The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised IASB Standards issued but not yet effective
Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

During 2018, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance. The Group applied the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2018, the Group performed an impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position, consolidated statement of income or consolidated statement of comprehensive income except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9:
All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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 expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9: (continued)

a) Classification and measurement

Financial Assets classifications	IAS 39	IFRS 9	
EQUITY INSTRUMENTS	AFS	FVOCI	The instruments that are currently classified as available for sale ("AFS") investments are financial instruments whose contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding and are held within a business model whose objective is not achieved both by collecting contractual cash flows and selling in the open market. Accordingly, such instrument will be subsequently measured at fair value through other comprehensive income ("FVOCI") upon the adoption of IFRS 9.
		FVTPL	The instruments that were classified as available for sale ("AFS") investments are held for selling or are managed on a fair value basis. Accordingly, such instrument will be subsequently measured at fair value through profit or loss ("FVTPL") upon the adoption of IFRS 9.
	FVTPL	FVTPL	The instruments that were classified as Financial assets through profit or loss ("FVTPL") investments and carried at fair value. These instruments will be held for trading and are managed on a fair value basis. Accordingly, such instrument will be subsequently measured at fair value through profit or loss ("FVTPL") upon the adoption of IFRS 9.
DEBT INSTRUMENTS	AFS	FVOCI	The instruments that were classified as available for sale ("AFS") investments are those instruments whose contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding and will be held within a business model whose objective is achieved both by collecting contractual cash flows and selling in the open market. Accordingly, such instrument will be subsequently measured at fair value through other comprehensive income ("FVOCI") upon the adoption of IFRS 9.
		AMORTISED COST	The instruments that were classified as available for sale ("AFS") investments will be held within a business model whose objective is achieved by collecting contractual cash flows and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, such instrument will be subsequently measured at amortised cost upon the adoption of IFRS 9.
	FVTPL	AMORTISED COST	The instruments that were classified as Financial assets through profit or loss ("FVTPL") investments and carried at fair value. These instruments will be held within a business model whose objective is achieved by collecting contractual cash flows, and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, such instrument will be subsequently measured at amortised cost upon the adoption of IFRS 9.
		FVTPL	The instruments that were classified as Financial assets through profit or loss ("FVTPL") investments are those instruments whose contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL upon the adoption of IFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9: (continued)

b) Impairment

Financial assets measured at amortised cost, receivables arising from reinsurance contracts and premium accruals, reinsurance recoverable on outstanding claims and other receivables will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its receivables as permitted by IFRS 9.

The Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Hedge accounting

IFRS 9's hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

The new hedge accounting requirements will align more closely with the Company's risk management policies. When initially applying IFRS 9, the Group has the option to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. However, the Group determined that any hedge relationships that would currently be designated in effective hedging relationships would continue to qualify for hedge accounting under IFRS 9. The Group does not anticipate that the application of the IFRS 9 hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

c) Disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its consolidated financial instruments particularly in the year of the adoption of IFRS 9.

Overall, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Management of the Parent Company concluded that the impact is not material on its consolidated statement of financial position, consolidated statement of income or consolidated statement of comprehensive income.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the profit or loss based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement but are recognised directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date together with IFRS 9. The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

3 NET INVESTMENT INCOME / EXPENSE

	2021	*2020*
	KD	*KD*
Dividend income	**657,740**	1,001,359
Interest income	**492,188**	517,894
Realized (loss) gain from fair value through profit or loss investments	**(70,749)**	17,973
Gain on sale of financial assets available for sale	**144,968**	-
Impairment loss of financial assets available for sale (Note 7)	**(30,906)**	(172,420)
Unrealised gain (loss) of financial assets at fair value through profit or loss	**332,940**	(366,017)
	1,526,181	998,789
Investment expense	**(191,396)**	(90,768)
	1,334,785	908,021

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) as follows:

	2021	*2020 Restated*
Profit for the year attributable to equity holders of the parent company (KD)	**2,343,147**	1,822,172
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares) (Shares)	**170,146,069**	173,122,296
Earnings per share	**13.77 Fils**	10.53 Fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of consolidated financial statements.

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus shares issued in 2021.

5 PROPERTY AND EQUIPMENT

	Land and buildings KD	***Furniture and equipment KD***	***Computers and software KD***	***Projects under progress KD***	***Total KD***
Cost:					
As at 1 January 2021	8,625,006	753,779	1,778,604	132,055	11,289,444
Additions	-	5,243	11,320	124,194	140,757
As at 31 December 2021	8,625,006	759,022	1,789,924	256,249	11,430,201
Depreciation:					
As at 1 January 2021	1,811,649	561,693	1,607,326	-	3,980,668
Charge for the year	118,807	47,836	47,498	-	214,141
As at 31 December 2021	1,930,456	609,529	1,654,824	-	4,194,809
Net carrying amount:					
As at 31 December 2021	**6,694,550**	**149,493**	**135,100**	**256,249**	**7,235,392**

	Land and buildings KD	*Furniture and equipment KD*	*Computers and software KD*	*Projects under progress KD*	*Total KD*
Cost:					
As at 1 January 2020	8,625,006	734,604	1,741,141	-	11,100,751
Additions	-	19,175	37,463	132,055	188,693
As at 31 December 2020	8,625,006	753,779	1,778,604	132,055	11,289,444
Depreciation:					
As at 1 January 2020	1,692,516	530,912	1,575,131	-	3,798,559
Charge for the year	119,133	30,781	32,195	-	182,109
As at 31 December 2020	1,811,649	561,693	1,607,326	-	3,980,668
Net carrying amount:					
As at 31 December 2020	6,813,357	192,086	171,278	132,055	7,308,776

Land and buildings with a net carrying value of KD 1,189,895 (2020: KD 2,233,042) are under lien to the Insurance Regulation Unit.

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Ownership percentage		*Country of*	***2021***	*2020*
	2021	*2020*	*incorporation*	***KD***	*KD*
KIB Takaful Insurance Company K.S.C.C.	**25.70%**	25.10%	Kuwait	**3,739,923**	3,544,112
Partners Properties Company – WLL.	**40.50%**	40.50%	Kuwait	**4,336,867**	4,139,466
				8,076,790	7,683,578

The movement in the investment in associates during the year is as follows:

	2021	*2020*
	KD	*KD*
Carrying value as at 1 January	**7,683,578**	7,565,095
Addition to investment in associate	**45,000**	-
Gain from addition to investment in associate	**40,080**	-
Share of results of associates	**403,557**	243,392
Share of other comprehensive income	**33,075**	593
Dividends	**(128,500)**	(125,502)
Carrying value as at 31 December	**8,076,790**	7,683,578

Summarized financial information in respect of each of the Group's associates is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

KIB Takaful Insurance Company K.S.C.C.

	2021	*2020*
	KD	*KD*
Current assets	**8,556,096**	9,245,741
Non- current assets	**7,125,644**	5,992,113
Current liabilities	**(321,538)**	(317,887)
Non-Current liabilities	**(807,974)**	(800,000)
Equity	**14,552,228**	14,119,967
Revenue	**810,704**	621,036
Profit for the year	**764,837**	543,597
Other comprehensive income for the year	**128,696**	2,363
Total comprehensive income for the year	**893,533**	545,960

Reconciliation of the above summarized financial information to the carrying amount of the interest in KIB Takaful Insurance Company K.S.C.C. recognized in the consolidated financial statements.

	2021	*2020*
	KD	*KD*
Net assets of the associate	**14,552,228**	14,119,967
Proportion of the Group's ownership interest	**25.7%**	25.1%
Carrying amount of the Group's interest	**3,739,923**	3,544,112

6 INVESTMENT IN ASSOCIATES (continued)

Partners Properties Company – W.L.L.

	2021 ***KD***	*2020* *KD*
Current assets	**672,138**	425,545
Non- current assets	**11,100,000**	11,100,000
Current liabilities	**(1,063,824)**	(1,304,640)
Equity	**10,708,314**	10,220,905
Revenue	**640,972**	478,707
Profit for the year	**511,097**	264,071

Reconciliation of the above summarized financial information to the carrying amount of the interest in Partners Properties Company – W.L.L. recognized in the consolidated financial statements.

	2021 ***KD***	*2020* *KD*
Net assets of the associate	**10,708,314**	10,220,904
Proportion of the Group's ownership interest	**40.5%**	40.5%
Carrying amount of the Group's interest	**4,336,867**	4,139,466

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2021 ***KD***	*2020* *KD*
Quoted securities *	**14,544,485**	12,148,385
Unquoted securities **	**923,118**	623,694
Investment in bonds ***	**9,260,371**	6,495,680
	24,727,974	19,267,759

Investments available for sale are denominated in the following currencies:

	2021 ***KD***	*2020* *KD*
Local currency (KD)	**13,850,496**	10,929,671
Foreign currencies	**10,877,478**	8,338,088
	24,727,974	19,267,759

* As at 31 December 2021, quoted equity securities are carried at fair value. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, no impairment loss was recognised in the consolidated statement of income. Quoted shares with a fair value of KD 2,142,504 (2020: KD 2,908,518) are under lien to the Insurance Regulation Unit.

** Unquoted equity securities amounting KD 923,118 (2020: KD 623,694) (net of impairment) are carried at fair value. Management has performed a review of these investments to assess whether any changes have occurred in their values and accordingly, an impairment loss of KD 30,906 (2020: KD 172,420) has been recorded in the consolidated statement of income for the year ended 31 December 2021 (Note 3).

*** Bonds carry interest rate ranging from 3.63% to 5.75% per annum (2020: 4% to 6.5%), mature in 10 years. Bonds amounting KD 5,300,000 (2020: KD 3,100,000) are carried at cost less impairment loss since their fair values cannot be reliably determined.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 *KD*	*2020* *KD*
Quoted shares	**1,196,436**	1,021,924
Investments in fund	**1,390,834**	168,911
Investments in portfolio	**6,701,497**	7,769,171
	9,288,767	8,960,006

9 INSURANCE AND REINSURANCE RECEIVABLES

	2021 *KD*	*2020* *KD*
Premiums receivable	**8,515,113**	7,416,144
Insurance and reinsurance companies	**8,128,314**	9,051,668
	16,643,427	16,467,812
Less: Allowances for impairment of receivables	**(4,700,000)**	(4,000,000)
	11,943,427	12,467,812
Reinsurance share on premiums received in advance	**152,960**	260,221
	12,096,387	12,728,033

As at 31 December 2021, insurance and reinsurance receivables amounting to KD 4,700,000 (2020: KD 4,000,000) were impaired and fully provided for.

Movement in the allowance for impairment of insurance and reinsurance receivables was as follows:

	2021 *KD*	*2020* *KD*
As at the beginning of the year	**4,000,000**	3,500,000
Charge for the year	**700,000**	500,000
As at the end of the year	**4,700,000**	4,000,000

As at 31 December, the ageing of unimpaired receivables from insurance and reinsurance contracts is as follows:

		Past due but not impaired		
	Total *KD*	*Less than 3 months* *KD*	*3-6 Months* *KD*	*More than 6 months* *KD*
2021	**11,943,427**	**3,938,035**	**2,042,776**	**5,962,616**
2020	12,467,812	4,025,615	1,930,663	6,511,534

10 OTHER ASSETS

	2021 *KD*	*2020* *KD*
Due from related parties (Note 20)	**5,096,056**	5,021,212
Due from staff	**36,724**	50,112
Deferred acquisition cost	**619,408**	641,700
Accrued income	**329,869**	509,929
Prepaid expenses	**173,049**	174,055
Refundable deposit	**12,180**	11,180
Others	**353,719**	254,730
	6,621,005	6,662,918

11 FIXED DEPOSITS

Fixed deposits represent deposits with banks whose original maturity period exceeds three months from date of deposit.

Fixed deposits include an amount of KD 5,186,020 held in State of Kuwait under lien to the Insurance Regulation Unit in accordance with insurance regulations of State of Kuwait (31 December 2020: KD 5,185,415).

The effective interest rate on fixed deposits was 1.50% to 3.25% per annum (31 December 2020: 1.95% to 3.5%).

The Insurance Companies and Agent Law No. 24 of 1961 as amended, requires the Parent Company to deposit in a Kuwaiti bank or in a Kuwaiti branch of a foreign bank, a deposit amounting to KD 500,000 for general insurance and KD 500,000 for life insurance.

Additionally, a minimum 15% of premiums collected on marine insurance contracts and 30% of premiums collected on non-marine insurance contracts except for life insurance contracts are to be retained in Kuwait.

Subsequent to the reporting date, the Parent Company calculated the amounts are held in Kuwait in accordance with the new law, issuing a letter of guarantee representing 20% of the net written premiums.

12 CASH AND CASH EQUIVALENTS

	2021	*2020*
	KD	*KD*
Cash on hand	**13,461**	15,072
Cash in portfolio	**319,937**	20,672
Short term deposit (Maturity within 3 months ending period)	**301,485**	-
Bank balances	**6,810,709**	5,698,005
Cash and cash equivalents	**7,445,592**	5,733,749

13 SHARE CAPITAL AND CASH DIVIDENDS

The authorised, issued, and fully paid-up share capital comprises of 177,108,460 shares of 100 fils each (2020: 177,108,460 shares of 100 fils each) fully paid up in cash.

Cash dividend and bonus shares

The Board of Directors' meeting held on 21 February 2022 recommended to distribute cash dividends of 10% for the year ended 31 December 2021 (2020: 8%), in addition to bonus share from treasury shares Nil (2020: KD 4%). This recommendation is subject to the approval of the Parent Company's Annual General Assembly and completion of legal formalities.

The Parent Company's shareholders at their general assembly meeting held on 11 April 2021 approved the consolidated financial statements for the year ended 31 December 2020 and dividend distributions.

14 RESERVES

Statutory reserve

As required by the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. Since the reserve has reached 50% of the capital, the Board of Directors have resolved to discontinue transfer to statutory reserve and was approved by the Parent Company Annual General Assembly on 26 March 2012.

14 RESERVES (continued)

Voluntary reserve
As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' Annual General Assembly Meeting upon recommendation by the Board of Directors. The Parent Company's General Assembly held on 19 May 2015 resolved to discontinue transfer to voluntary reserve.

15 TREASURY SHARES

	2021	*2020*
Number of shares	**5,795,002**	10,965,625
Percentage of issued shares (%)	**3.27**	6.19
Market value (KD)	**869,250**	932,078

An amount of KD 893,031 (31 December 2020: KD 1,275,970) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the year ended 31 December 2021 was 139 fils per share (31 December 2020: 85 fils per share).

16 INSURANCE CONTRACT LIABILITIES

	2021 ***KD***	*2020* *KD*
Reserve for outstanding claims	**52,124,946**	55,859,340
Reserve for unexpired risks	**5,151,039**	4,380,224
Reserve for life insurance fund	**2,027,587**	1,964,811
Unearned reinsurance commission	**360,327**	350,809
	59,663,899	62,555,184

16 INSURANCE CONTRACT LIABILITIES (continued)

The reserve for outstanding claims comprises of:

	General risk insurance				
2021	*Marine and aviation KD*	*Motor KD*	*Fire and general accidents KD*	*Life and medical KD*	*Total KD*
Reserve for outstanding claims (reported and not reported):					
Gross balance at beginning of the year	**886,346**	**4,317,985**	**41,702,525**	**8,952,484**	**55,859,340**
Reinsurance share	(617,537)	(828,101)	(40,231,828)	(3,791,786)	(45,469,252)
Net balance at beginning of the year	**268,809**	**3,489,884**	**1,470,697**	**5,160,698**	**10,390,088**
Incurred during the year, net	19,148	3,304,828	133,053	8,018,332	11,475,361
Paid during the year, net	(95,918)	(3,325,196)	(396,457)	(8,111,870)	(11,929,441)
Net balance at end of the year	**192,039**	**3,469,516**	**1,207,293**	**5,067,160**	**9,936,008**
Represented by:					
Gross outstanding claims at end of the year	697,511	4,168,454	38,338,145	8,920,836	52,124,946
Reinsurance share	(505,472)	(698,938)	(37,130,852)	(3,853,676)	(42,188,938)
	192,039	3,469,516	1,207,293	5,067,160	9,936,008
Reserve for unexpired risks	**30,339**	**2,265,491**	**388,114**	**2,467,095**	**5,151,039**
Unearned reinsurance commission	**37,619**	**1,139**	**218,005**	**103,564**	**360,327**

16 INSURANCE CONTRACT LIABILITIES (continued)

	General risk insurance				
2020	*Marine and aviation KD*	*Motor KD*	*Fire and general accidents KD*	*Life and medical KD*	*Total KD*
Reserve for outstanding claims (reported and not reported):					
Gross balance at beginning of the year	1,276,174	3,943,541	45,613,701	7,801,194	58,634,610
Reinsurance share	(956,569)	(835,883)	(43,708,164)	(3,702,078)	(49,202,694)
Net balance at beginning of the year	319,605	3,107,658	1,905,537	4,099,116	9,431,916
Incurred during the year, net	52,280	2,454,232	(204,814)	6,746,145	9,047,843
Paid during the year, net	(103,076)	(2,072,006)	(230,026)	(5,684,563)	(8,089,671)
Net balance at end of the year	268,809	3,489,884	1,470,697	5,160,698	10,390,088
Represented by:					
Gross outstanding claims at end of the year	886,346	4,317,985	41,702,525	8,952,484	55,859,340
Reinsurance share	(617,537)	(828,101)	(40,231,828)	(3,791,786)	(45,469,252)
	268,809	3,489,884	1,470,697	5,160,698	10,390,088
Reserve for unexpired risks	28,798	1,685,088	455,726	2,210,612	4,380,224
Unearned reinsurance commission	33,819	2,092	223,646	91,252	350,809

17 INSURANCE AND REINSURANCE PAYABLES

	2021 KD	*2020 KD*
Trade payables	**3,611,870**	3,396,958
Premiums received in advance	**554,265**	532,245
Insurance and reinsurance companies	**4,594,755**	4,077,818
Reserve for reinsurance operations	**697,198**	656,024
Provision for supervision fees	**183,230**	131,167
	9,641,318	8,794,212

18 OTHER LIABILITIES

	2021 KD	*2020 KD*
Due to related parties (Note 20)	**733,595**	706,169
Provision for end of service indemnity	**1,723,994**	1,638,916
Dividends payable	**1,216,519**	1,181,478
Accrued staff leave	**366,012**	371,412
Accrued expenses	**884,084**	1,014,843
Considerations payable for investments acquired	**3,840,259**	4,714,106
Other liabilities	**485,384**	385,929
	9,249,847	10,012,853

19 SEGMENT INFORMATION

The Group operates in three segments: General risk insurance, Life and Medical insurance and Investment. Within General risk insurance are Marine and Aviation, Fire and general accidents and Motor.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with consolidated statement of income.

The following are the details of these segments:

- Marine and aviation: Insurance against the risks related to goods transportation and different types of marine and aviation vessels.

- General accident: Insurance against risks of contractors, machine and computer damages and cessation of work; insurance for cash, fidelity bonds, professional risks, work accidents, civil responsibility and cars.

- Fire: Insurance against fire for different types of buildings, stores, industrial risks and oil and gas industry.

- Motor: Insurance against accidents for different types of motor vehicles.

- Life and medical insurance: Providing various life and health insurance cover for individuals and Companies.

19 SEGMENT INFORMATION (continued)

(A) Segment information – Consolidated statement of income

	General risk insurance						
Year ended 31 December 2021	*Marine and aviation KD*	*General accidents and fire KD*	*Motor KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Unallocated KD*	*Total KD*
Revenue:							
Gross premiums written	1,247,223	11,019,079	8,224,011	20,490,313	13,721,403	-	**34,211,716**
Premiums ceded to reinsurers	(1,045,765)	(9,723,745)	(671,453)	(11,440,963)	(3,972,859)	-	**(15,413,822)**
Net premiums written	201,458	1,295,334	7,552,558	9,049,350	9,748,544	-	**18,797,894**
Movement in unearned premiums	(1,542)	67,612	(580,403)	(514,333)	(256,482)	-	**(770,815)**
Movement in life mathematical reserve	-	-	-	-	(62,776)	-	**(62,776)**
Net premiums earned	199,916	1,362,946	6,972,155	8,535,017	9,429,286	-	**17,964,303**
Commission income earned on ceded reinsurance	246,990	732,323	4,750	984,063	454,875	-	**1,438,938**
Policy issuance fees	3,375	1,262	68,210	72,847	2,639	-	**75,486**
Total revenues	450,281	2,096,531	7,045,115	9,591,927	9,886,800	-	**19,478,727**
Expenses:							
Net claims incurred	(19,148)	(133,053)	(3,304,828)	(3,457,029)	(8,018,332)	-	**(11,475,361)**
Commissions and premiums' acquisition costs	(73,133)	(213,791)	(867,670)	(1,154,594)	(1,079,735)	-	**(2,234,329)**
Operating and administrative expenses for insurance business	(102,558)	(887,036)	(1,746,918)	(2,736,512)	(688,782)	-	**(3,425,294)**
Total expenses	(194,839)	(1,233,880)	(5,919,416)	(7,348,135)	(9,786,849)	-	**(17,134,984)**
Net underwriting results	255,442	862,651	1,125,699	2,243,792	99,951	-	**2,343,743**
Net investment income / expense						1,334,785	**1,334,785**
Unallocated operating and administrative expenses						(956,226)	**(956,226)**
Share of results of associates						403,557	**403,557**
Other income and foreign currency exchange differences						142,674	**142,674**
Other Insurance service expense						(559,547)	**(559,547)**
Other Insurance service income						444,506	**444,506**
Other administrative expenses, contribution to KFAS, NLST and Zakat						(833,315)	**(833,315)**
Profit for the year						(23,566)	**2,320,177**

19 SEGMENT INFORMATION (continued)

(A) Segment information – Consolidated statement of income

	General risk insurance						
Year ended 31 December 2020	*Marine and aviation KD*	*General accidents and fire KD*	*Motor KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Unallocated KD*	*Total KD*
Revenue:							
Gross premiums written	1,178,121	10,790,012	6,114,957	18,083,090	12,549,563	-	30,632,653
Premiums ceded to reinsurers	(986,116)	(9,270,917)	(497,997)	(10,755,030)	(3,936,501)	-	(14,691,531)
Net premiums written	192,005	1,519,095	5,616,960	7,328,060	8,613,062	-	15,941,122
Movement in unearned premiums	34,389	148,519	(166,253)	16,655	(691)	-	15,964
Movement in life mathematical reserve	-	-	-	-	(19,400)	-	(19,400)
Net premiums earned	226,394	1,667,614	5,450,707	7,344,715	8,592,971	-	15,937,686
Commission income earned on ceded reinsurance	223,236	710,130	5,124	938,490	467,104	-	1,405,594
Policy issuance fees	2,744	1,090	118,742	122,576	2,152	-	124,728
Total revenues	452,374	2,378,834	5,574,573	8,405,781	9,062,227	-	17,468,008
Expenses:							
Net claims incurred	(52,280)	204,814	(2,454,232)	(2,301,698)	(6,746,145)	-	(9,047,843)
Commissions and premiums' acquisition costs	(65,634)	(280,759)	(757,108)	(1,103,501)	(942,778)	-	(2,046,279)
Operating and administrative expenses for insurance business	(115,382)	(1,097,569)	(882,468)	(2,095,419)	(1,169,377)	-	(3,264,796)
Total expenses	(233,296)	(1,173,530)	(4,093,808)	(5,500,634)	(8,858,300)	-	(14,358,934)
Net underwriting results	219,078	1,205,304	1,480,765	2,905,147	203,927	-	3,109,074
Net investment income / expense						908,021	908,021
Unallocated operating and administrative expenses						(1,209,257)	(1,209,257)
Share of results of associates						243,392	243,392
Other income and foreign currency exchange differences						(378,735)	(378,735)
Other Insurance service expense						(718,151)	(718,151)
Other Insurance service income						433,971	433,971
Other administrative expenses, contribution to KFAS, NLST and Zakat						(578,995)	(578,995)
Profit for the year						(1,299,754)	1,809,320

19 SEGMENT INFORMATION (continued)

(B) Segment information – Consolidated statement of financial position

	General risk insurance KD	*Life and medical insurance KD*	*Investment KD*	*Total KD*
31 December 2021				
Assets	**77,190,235**	**3,908,187**	**42,093,531**	**123,191,953**
Liabilities	**72,407,097**	**2,307,708**	**7,840,259**	**82,555,064**
31 December 2020				
Assets	80,667,924	3,849,937	35,911,343	120,429,204
Liabilities	73,721,097	2,927,046	6,714,106	83,362,249

20 RELATED PARTY TRANSACTIONS

The Group has entered into various transactions with related parties, i.e. shareholders, Board of directors, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:

	Parent Company's shareholders KD	*Entities under common control KD*	*Total 2021 KD*	*Total 2020 KD*
Investment activities				
Investments at fair value through profit or loss	-	**7,854,529**	**7,854,529**	7,827,400
Investments available for sale	-	**8,553,213**	**8,553,213**	7,707,239
Investments in associates	-	**8,076,790**	**8,076,790**	7,683,578
Fixed deposits	-	**5,171,800**	**5,171,800**	6,271,800
Cash and cash equivalents	-	**3,391,766**	**3,391,766**	1,633,918
Other liabilities	-	**3,840,259**	**3,840,259**	4,814,106
Insurance activities				
Insurance services receivable (Note 10)	**25,453**	**5,070,603**	**5,096,056**	5,021,212
Insurance services payable (Note 18)	-	**733,595**	**733,595**	706,169

Transactions included in the consolidated statement of income:

	Parent Company's shareholders KD	*Entities under common control KD*	*Total 2021 KD*	*Total 2020 KD*
Premiums written	**13,375**	**1,403,808**	**1,417,183**	1,450,262
Dividend income	-	**428,945**	**428,945**	719,512
Share of results of associates	-	**403,557**	**403,557**	243,392

Compensation to key management personnel:	*2021 KD*	*2020 KD*
Salaries and short term employee benefits	**861,432**	848,764
Employees end of service benefits	**68,196**	27,985
	929,628	876,749

21 CAPITAL COMMITMENTS AND CONTINGENCIES

	2021 KD	*2020 KD*
Letters of guarantee	**6,349,293**	222,905
Capital commitments	**6,480**	6,480

22 STATUTORY GUARANTEES

The following amounts are held in Kuwait by the Parent Company as security for the order of the Insurance Regulation Unit in accordance with the Ministerial Decree No. 27 of 1966 and its amendments new law No. 125 of 2019:

(a) Deposits and investments amounting to KD 1,809,870 (2020: KD 5,097,220) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Deposits and investment amounting to KD 2,949,708 (2020: KD 4,229,755) have been deposited with a Kuwaiti bank in respect of the Parent Company's right to transact life assurance business;
As of the reporting date, the Parent Company calculated the amounts are held in Kuwait in accordance with the new law, although they didn't release the pledge related to prior year.

23 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function since 2013 with clear terms of reference from the Group's board of directors, its committees and the associated executive management committees. This will be supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to the management. Also, a Group policy framework including risk profiles for the Group, risk management, control and business conduct standards for the Group's operations.

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962 and the Ministerial Decree Nos. 5 of 1989, 510 & 511 of 2011 and its amendment as included within decree Nos. 578 & 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

The following are the key regulations governing the operation of the Group:

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- For the life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Non-life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Life and Non-life Insurance Companies KD 1,000,000 FD under the ministerial name to be retained in Kuwait.
- The funds retained in Kuwait should be invested as under:
  - A maximum of 30% should be invested in Kuwaiti Companies' shares or bonds.
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

Subsequent to the reporting date, Law No. 125 of 2019, and its executive by law, and the rules and regulations issued by the Insurance regulatory unit provide the regulatory framework for the insurance industry in Kuwait will be effective, which state that all insurance companies operating in Kuwait are required to follow these rules and regulations.
The following are the key regulations governing the operation of the Group:

- For the life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Non-life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Life and Non-life Insurance Companies KD 1,000,000 FD under the ministerial name to be retained in Kuwait.
- In addition, all insurance companies to maintain a provision of 20% from the gross premiums written after excluding the reinsurance share.

The Group's Governance, Risk Management and Compliance (G.R.C.) sector is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Insurance risk

The principal risk the Group 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 Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, prudent claims management practices as well as the use of reinsurance arrangements.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

The majority of insurance business ceded is placed on a quota share basis with retention limits varying 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 Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Insurance risk is divided into risk of life insurance contracts and risk of non-life insurance contracts as follows:

(1) Life insurance contracts

Life insurance contracts offered by the Group include term insurance, life and disability, medical, endowment, individual policies, pension (individual policies) and Group Life.

Term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

Pension plans are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or sum assured whichever is greater. Some contracts give the policyholder the option at retirement to take a cash sum or pension annuity allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to 'paid up' on guaranteed terms. The majority of the mortgage endowment contracts offered by the Group have minimum maturity values subject to certain conditions being satisfied.

For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

The main risks that the Group is exposed to are as follows:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Group as life business mainly written in Gulf countries.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts where death or disability are the insured risks the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimize the risk of default.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The insurance risks described above are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The table below sets out the concentration of life insurance and investment contracts by type of contract:

31 December 2021 **Type of contract**	*Gross liabilities* *KD*	*Reinsurers' share of liabilities* *KD*	*Net liabilities* *KD*
Term insurance	**251,205**	**250,334**	**871**
Life and disability	**3,657**	**2,468**	**1,189**
Medical	**6,334,479**	**940,085**	**5,394,394**
Endowment individual policies	**2,093,671**	**36,490**	**2,057,181**
Pensions (individual policies)	**7,970**	**510**	**7,460**
Group Life	**6,052,822**	**3,952,072**	**2,100,750**
Total life insurance contracts	**14,743,804**	**5,181,959**	**9,561,845**
Individual life insurance contracts liabilities	**2,356,504**	**289,801**	**2,066,703**
Group life insurance contracts liabilities	**12,387,300**	**4,892,158**	**7,495,142**

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

31 December 2020 Type of contract	*Gross liabilities* *KD*	*Reinsurers' share of liabilities* *KD*	*Net liabilities* *KD*
Term insurance	465,826	465,055	771
Life and disability	4,180	2,930	1,250
Medical	5,834,090	813,045	5,021,045
Endowment individual policies	2,042,209	32,556	2,009,653
Pensions (individual policies)	7,942	472	7,470
Group Life	6,440,029	4,144,093	2,295,936
Total life insurance contracts	14,794,276	5,458,151	9,336,125
Individual life insurance contracts liabilities	2,520,156	501,013	2,019,143
Group life insurance contracts liabilities	12,274,120	4,957,138	7,316,982

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contracts' estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

• ***Mortality and morbidity rates***

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by occupation, underwriting class and contract type.

An increase in the actual mortality rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

• ***Longevity***

Assumptions are based on standard rates, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by occupation, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

• ***Investment return***

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• ***Expenses***

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• ***Lapse and surrender rates***

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group’s experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

• ***Discount rate***

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on Central Bank of Kuwait rate, adjusted for the Group’s own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)
• Discount rate (continued)
The assumptions that have the maximum effect on the consolidated statement of financial position and consolidated statement of income of the Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
Investment contracts:												
With fixed and guaranteed terms	40% AM/80 Ult	40% AM/80 Ult	2.75%	3%	0%	0%	2.75%	3%	5%	5%	N/A	N/A
Non-guaranteed terms	40% AM/80 Ult	40% AM/80 Ult	2.75%	3%	0%	0%	2.75%	3%	5%	5%	N/A	N/A
Life term assurance:												
Males	40% AM/80 Ult	40% AM/80 Ult	2.75%	3%	0%	0%	2.75%	3%	5%	5%	N/A	N/A
Females	40% AM/80 Ult	40% AM/80 Ult	2.75%	3%	0%	0%	2.75%	3%	5%	5%	N/A	N/A

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)
• Sensitivities
The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

(2) Non-life insurance contracts
The Group principally issues the following types of general insurance contracts: marine and aviation, motor, accident and fire. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group’s risk appetite as decided by management.

Claims development table
The following tables show the estimate of cumulative incurred claims for both Non-life and Life and Medical segments, including claims notified for each successive accident year at each consolidated statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table (continued)

31 December 2021

	2014 KD	*2015 KD*	*2016 KD*	*2017 KD*	*2018 KD*	*2019 KD*	*2020 KD*	***2021 KD***	***Total KD***
Current estimate of cumulative claims incurred	17,497,510	16,132,027	14,031,491	13,280,682	49,929,774	12,208,717	11,358,987	**16,700,428**	**151,139,616**
At end of accident year	7,890,105	8,962,959	8,711,541	4,966,661	3,231,613	4,259,998	3,746,433	**6,564,982**	**-**
One year later	12,846,539	12,818,915	11,972,997	9,166,855	12,455,178	8,841,304	9,491,343	**-**	**-**
Two years later	13,513,397	14,170,444	12,448,984	11,717,075	16,564,717	9,661,036	-	**-**	**-**
Three years later	13,421,854	14,307,282	13,122,255	11,944,269	18,673,669	-	-	**-**	**-**
Four years later	13,538,187	14,875,322	13,003,671	12,194,188	-	-	-	**-**	**-**
Five years later	13,679,676	15,221,986	13,128,489	-	-	-	-	**-**	**-**
Six years later	13,768,532	15,485,275	-	-	-	-	-	**-**	**-**
Seven years later	13,815,688	-	-	-	-	-	-	**-**	**-**
Cumulative payment to date	13,815,688	15,485,275	13,128,489	12,194,188	18,673,669	9,661,036	9,491,343	**6,564,982**	**99,014,670**
Gross outstanding claims and IBNR at 31 December 2021	3,681,822	646,752	903,002	1,086,494	31,256,105	2,547,681	1,867,644	**10,135,446**	**52,124,946**

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table (continued)

31 December 2020

	2014 *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*2018* *KD*	*2019* *KD*	*2020* *KD*	*Total* *KD*
Current estimate of cumulative claims incurred	19,256,456	16,360,006	14,224,148	13,418,478	50,247,424	13,720,496	11,623,456	138,850,464
At end of accident year								
One year later	7,890,483	8,925,925	8,682,931	4,961,305	3,265,281	4,251,498	3,746,434	-
Two years later	12,846,917	12,781,881	11,944,387	9,161,498	12,488,847	8,778,469	-	-
Three years later	13,513,775	14,133,410	12,420,374	11,711,718	16,598,386	-	-	-
Four years later	13,422,232	14,270,249	13,093,645	11,938,913	-	-	-	-
Five years later	13,538,565	14,838,288	12,975,061	-	-	-	-	-
Six years later	13,768,909	15,184,952	-	-	-	-	-	-
Cumulative payment to date	13,768,909	15,184,952	12,975,061	11,938,913	16,598,386	8,778,469	3,746,434	82,991,124
Gross outstanding claims and IBNR at 31 December 2020	5,487,547	1,175,054	1,249,087	1,479,565	33,649,038	4,942,027	7,877,022	55,859,340

23 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(2) Non-life insurance contracts (continued)
The table below sets out the concentration of non-life insurance contracts liabilities by type of contract:

31 December 2021	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Motor	**6,435,084**	**(698,938)**	**5,736,146**
Marine and Aviation	**765,465**	**(505,472)**	**259,993**
Fire and general Accident	**38,944,264**	**(37,130,852)**	**1,813,412**
Total	**46,144,813**	**(38,335,262)**	**7,809,551**
31 December 2020			
Motor	6,005,165	(828,101)	5,177,064
Marine and Aviation	948,963	(617,537)	331,426
Fire and general Accident	42,381,897	(40,231,828)	2,150,069
Total	49,336,025	(41,677,466)	7,658,559

Key assumptions
The principal assumption underlying the estimates is the Group's 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 judgments are used to assess the extent to which past trends may not apply in the future, for example once-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. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

31 December 2021	*Change in Assumption %*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Ultimate Loss Ratio Increase	**2**	**156,191**	**156,191**	**922,896**
31 December 2020	*Change in Assumption %*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Ultimate Loss Ratio Increase	2	986,721	153,171	153,171

23 RISK MANAGEMENT (continued)

(d) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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

	31 December 2021			
Exposure credit risk by classifying financial assets according to type of insurance	***General insurance KD***	***Life and Medical insurance KD***	***Reinsurance operations KD***	***Total KD***
Cash and cash equivalents - excluding cash on hand	**3,010,898**	**2,638,478**	**1,782,755**	**7,432,131**
Fixed deposits	**2,085,752**	**2,030,863**	**1,372,205**	**5,488,820**
Financial assets available for sale – bonds	**3,332,020**	**3,537,887**	**2,390,464**	**9,260,371**
Financial assets at fair value through profit or loss – bonds	**2,546,569**	**2,479,554**	**1,675,374**	**6,701,497**
Insurance and reinsurance receivable	**4,596,627**	**4,475,663**	**3,024,097**	**12,096,387**
Other assets - excluding prepayments	**2,342,933**	**2,449,772**	**1,655,251**	**6,447,956**
Loans secured by life insurance policies	**8,469**	**8,247**	**5,572**	**22,288**
Reinsurance share in reserve for outstanding claims	**16,031,796**	**15,609,907**	**10,547,235**	**42,188,938**
Total credit risk exposure	**33,955,064**	**33,230,371**	**22,452,953**	**89,638,388**

	31 December 2020			
Exposure credit risk by classifying financial assets according to type of insurance	*General insurance KD*	*Life and Medical insurance KD*	*Reinsurance operations KD*	*Total KD*
Cash and cash equivalents - excluding cash on hand	2,173,098	2,115,910	1,429,669	5,718,677
Fixed deposits	2,503,521	2,437,640	1,647,054	6,588,215
Financial assets available for sale – bonds	2,468,358	2,403,402	1,623,920	6,495,680
Financial assets at fair value through profit or loss – bonds	2,952,275	2,874,584	1,942,287	7,769,146
Insurance and reinsurance receivable	4,836,653	4,709,372	3,182,008	12,728,033
Other assets - excluding prepayments	2,465,768	2,400,880	1,622,215	6,488,863
Loans secured by life insurance policies	10,228	9,960	6,730	26,918
Reinsurance share in reserve for outstanding claims	17,278,316	16,823,623	11,367,313	45,469,252
Total credit risk exposure	34,688,217	33,775,371	22,821,196	91,284,784

23 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets by classifying assets according to international credit ratings of the counterparties. "A" ratings denote expectations of low default risk. "B" ratings indicate that material default risk is present, but a limited margin of safety remains. Assets that fall outside the range of A to B are classified as not rated.

Exposure credit risk by classifying financial assets according to international credit rating agencies	***A*** **KD**	***B*** **KD**	***Not rated*** **KD**	***Total*** **KD**
31 December 2021				
Cash and cash equivalents - excluding cash on hand	**7,432,131**	**-**	**-**	**7,432,131**
Fixed deposits	**5,488,820**	**-**	**-**	**5,488,820**
Financial assets available for sale – bonds	**-**	**7,741,604**	**1,518,767**	**9,260,371**
Financial assets at fair value through profit or loss – bonds	**797,809**	**-**	**5,903,688**	**6,701,497**
Insurance and reinsurance receivable	**9,677,110**	**2,419,277**	**-**	**12,096,387**
Other assets - excluding prepayments	**-**	**-**	**6,447,956**	**6,447,956**
Loans secured by life insurance policies	**22,288**	**-**	**-**	**22,288**
Reinsurance share in reserve for outstanding claims	**33,751,150**	**8,437,788**	**-**	**42,188,938**
Total credit risk exposure	**57,169,308**	**18,598,669**	**13,870,411**	**89,638,388**

Exposure credit risk by classifying financial assets according to international credit rating agencies	*A* KD	*B* KD	*Not rated* KD	*Total* KD
31 December 2020				
Cash and cash equivalents - excluding cash on hand	5,718,677	-	-	5,718,677
Fixed deposits	6,588,215	-	-	6,588,215
Financial assets available for sale – bonds	-	4,147,968	2,347,712	6,495,680
Financial assets at fair value through profit or loss – bonds	844,092	3,924,982	3,000,072	7,769,146
Insurance and reinsurance receivable	5,161,214	2,545,607	5,021,212	12,728,033
Other assets - excluding prepayments	2,465,768	2,400,880	1,622,215	6,488,863
Loans secured by life insurance policies	26,918	-	-	26,918
Reinsurance share in reserve for outstanding claims	36,375,402	9,093,850	-	45,469,252
Total credit risk exposure	57,180,286	22,113,287	11,991,211	91,284,784

23 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The table below summarises the maturity profile of the Group's financial liabilities based on remaining undiscounted contractual obligations for 31 December. The maturity profile of financial liabilities at 31 December was as follows:

31 December 2021	***Within 1 year KD***	***More than 1 year KD***	***Total KD***
Insurance and reinsurance payables	**8,944,120**	**697,198**	**9,641,318**
Other liabilities	**7,525,852**	**1,723,995**	**9,249,847**
Long Term Loan	**-**	**4,000,000**	**4,000,000**
	16,469,972	**6,421,193**	**22,891,165**

31 December 2020	*Within 1 year KD*	*More than 1 year KD*	*Total KD*
Insurance and reinsurance payables	8,138,188	656,024	8,794,212
Other liabilities	8,373,937	1,638,916	10,012,853
Long Term Loan	-	2,000,000	2,000,000
	16,512,125	4,294,940	20,807,065

3) 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: currency risk, interest rate risk and equity price risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contracts liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit due to changes in fair value of currency sensitive assets and liabilities.

23 RISK MANAGEMENT (continued)

(d) Financial risks (continued)
3) Market risk (continued)

(i) Currency risk (continued)
The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear. The effect of decreases in profit and other comprehensive income is expected to be equal and opposite to the effect of the increases shown.

		2021		*2020*	
	Change in Variables %	***Impact on profit for the year KD***	***Impact on other comprehensive income KD***	*Impact on profit for the year KD*	*Impact on other comprehensive income KD*
USD	±5	**335,075**	**198,019**	388,459	169,784
BHD	±5	**-**	**345,720**	-	259,978

(ii) Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its interest bearing assets and liabilities.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates, on the Group's profit before contribution to KFAS, NLST, Zakat and directors' fees, based on floating rate financial assets and financial liabilities held as at 31 December 2021 and 2020.

The Group is not exposed to interest rate risk as majority of its interest bearing assets and liabilities are stated at fixed interest rates.

(iii) Equity price risk
Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industrial concentration.

The effect on other comprehensive income as a result of a change in the fair value of financial assets available for sale at 31 December due to ±5% change in the following market indices with all other variables held constant is as follows:

	Impact of profit for the year		***Impact of profit for other comprehensive income***	
Market indices	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*
Kuwait	**71,712**	± 64,108	**381,369**	± 259,395
Other countries	**-**	-	**345,855**	± 247,120

24 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issues new shares.

24 CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, liabilities arising from insurance contracts, payables and term loans less cash and cash equivalent. Capital includes equity of the Group.

	2021	*2020*
	KD	*KD*
Liabilities arising from insurance contracts	**59,663,899**	62,555,184
Insurance and reinsurance payables	**9,641,318**	8,794,212
Other liabilities	**9,249,847**	10,012,853
Long term loan	**4,000,000**	2,000,000
Less:		
Cash and cash equivalents	**(7,445,592)**	(5,733,749)
Net debt	**75,109,472**	77,628,500
Total capital	**40,636,889**	37,066,955
Total capital and net debt	**115,746,361**	114,695,455
Gearing ratio	**65%**	68%

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, financial assets at fair value through profit or loss, accounts receivable, fixed deposits and bank balances. Financial liabilities consist of borrowing and credit balances.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 5,300,000 (2020: KD 3,100,000) (Note 7), are not materially different from their carrying values.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2021	***Quoted prices in active markets (Level 1) KD***	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***	***Total fair value KD***
Financial assets at fair value though profit or loss	**8,135,732**	**1,153,035**	**-**	**9,288,767**
Financial assets available for sale	**14,544,485**	**3,960,371**	**923,118**	**19,427,974**
Total	**22,680,217**	**5,113,406**	**923,118**	**28,716,741**

25 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2020	*Quoted prices in active markets (Level 1) KD*	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total fair value KD*
Financial assets at fair value though profit or loss	8,960,006	-	-	8,960,006
Financial assets available for sale	12,148,385	3,395,680	623,694	16,167,759
Total	21,108,391	3,395,680	623,694	25,127,765

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

	Valuation Technique	***Significant unobservable inputs***	***Range***	***Sensitivity of the input to fair value***
Unquoted equity securities	Price to book value	Discount for lack of marketability & lack of control	10%	An increase (decrease) by 10% in the Discount for lack of marketability & lack of Control would result in (decrease) increase in fair value by KD 123 thousands.
	Price to book value	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 92 thousands.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

2021	***At the beginning of the year KD***	***Net fair value recorded in the consolidated statement of comprehensive income KD***	***Net result recorded in the consolidated statement of income KD***	***At the end of the year KD***
Financial assets available for sale:	**623,694**	**330,330**	**(30,906)**	**923,118**
	623,694	**330,330**	**(30,906)**	**923,118**

2020	*At the beginning of the year KD*	*Net fair value recorded in the consolidated statement of comprehensive income KD*	*Net result recorded in the consolidated statement of income KD*	*At the end of the year KD*
Financial assets available for sale:	723,284	72,831	(172,421)	623,694
	723,284	72,831	(172,421)	623,694

26 COVID-19

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

Recoverability of receivables
The COVID-19 outbreak led to a increase in the credit risk of companies within the economy as a result of operational disruption. Based on management's, the Group has not identified a material impact to the recoverability of receivables for the year ended 31 December 2021.

Fair value measurement of financial instruments
COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.

The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on management's, the Group has not identified a material impact to the fair values of financial assets and liabilities for the year ended 31 December 2021 except for what is disclosed in the consolidated financial statements under financial assets available for sale.

Outstanding claims
The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the year ended 31 December 2021. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.