# 44
# ANNUAL REPORT

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Company established October 24th, 1976
Boursa kuwait Ticker ( WINSRE )

WARBA INSURANCE & REINSURANCE
وربة للتأمين وإعادة التأمين

1 80 81 81 | www.warba.insure
warba | warbakw | warbakw | warbakw

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

ANNUAL
REPORT
2022

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# 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.S.C.P)

For the Fiscal Year Ending in 31 December 2022

# AGENDA

1) Discussing and approving the report of the Board of Directors on the Company's activities and its financial position for the fiscal year ending on 31 December 2022.
2) Recitation of the Corporate Governance Report and the Audit Committee Report for the fiscal year ending on December 31st, 2022.
3) Discussing and approving the report of the external auditors for the fiscal year ending on December 31st, 2022.
4) Discussing and approving the Nominations and Remunerations Committee's report on the remunerations, benefits and salaries of the members of the Board of Directors and Executive Management for the fiscal year ending on December 31st, 2022.
5) Review any violations monitored by the regulatory authorities for the fiscal year ending on December 31st, 2022 (if any).
6) Approving and approving the final financial statements and the balance sheet for the fiscal year ending on December 31st, 2022.
7) Discuss the internal control report for the fiscal year ending on December 31st, 2022.
8) Approval of the Board of Directors' recommendation to distribute cash dividends to shareholders at the rate of 8% (eight percent) of the share's nominal value, at ten fils (8 fils) per share, after deducting treasury shares, for the fiscal year ending on December 31st, 2022, for registered shareholders of the company at the end of the maturity date, which is specified on the date (fifteen days after the meeting was held), provided that the distribution of these profits to the shareholders entitled to them starts from (five working days from the date of maturity).
9) Approving the recommendation of the Board of Directors to distribute bonus shares at a rate of 41.16% (forty-one percent and sixteen part of one percent) of the issued and paid-up capital, by issuing (72,891,542) new shares, to be distributed as bonus shares among the shareholders registered in the company's shareholder registers as at the end of the year. On the day of maturity, each of them shall be in proportion to what he owns (41.16 shares for every 100 shares), and cover the value of the increase in the issued and paid-up capital, amounting to (7,289,154.200) KWD. (only seven million, two hundred and eighty-nine thousand, one hundred and fifty-four Kuwaiti dinars, and 200 fils only) from the profit and loss account, general reserve, and optional reserve, and authorizing the Board of Directors to dispose of the fractional shares arising therefrom as it deems appropriate, as well as authorizing the Board of Directors to amend the schedule The aforementioned is to implement the decision of the General Assembly to distribute profits in the event that the monthly procedures are not completed eight working days before the maturity date.
10) Approval of the Board of Directors' recommendation, based on Article (52) of the Company's Articles of Association, using the amount of (3,867,633) KD. (Only three million, eight hundred and sixty-seven thousand, six hundred and thirty-three Kuwaiti dinars only), from the general reserve of the company, the value of which is (4,000,000) KD. (Only four million Kuwaiti dinars), as well as the use of the optional reserve, whose value is KD (764,895). (Only seven hundred and sixty-four thousand eight hundred and ninety-five Kuwaiti dinars only), with a total amount of (4,632,528) KWD. (only four million, six hundred and thirty-two thousand five hundred and twenty-eight Kuwaiti dinars only), in increasing the company's capital.
11) Approving the recommendation of the Board of Directors to pay bonuses to the members of the Board of Directors in the amount of (169,500) KD, in exchange for the work they undertake in the company and attending committees, and including them in the record of bonuses granted to the Board of Directors and its members, and its approval by the General Assembly for the fiscal year ending on December 31, 2022, and ratification on him.
12) Discharge the members of the Board of Directors for everything related to their legal, financial and administrative actions for the fiscal year ending on December 31, 2022, and approve it.
13) Authorizing the Board of Directors to buy or sell the shares of the company, not exceeding 10% of the number of its shares, in accordance with the articles of Law No. (7) of 2010 and its executive regulations and their amendments.
14) Reviewing the transactions that took place with related parties for the fiscal year ending on December 31, 2022, and authorizing the Board of Directors to deal with related parties that will take place during the fiscal year ending on December 31, 2023, and approving it.
15) Appointing or re-appointing auditors from the approved list of auditors at the Capital Markets Authority, considering the period of mandatory change of auditors for the fiscal year ending on December 31, 2023, 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 2022

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 2022

## In the name of Allah, the Most Merciful and Compassionate

## Dear Honorable Shareholders

### With all due respect, pride and admiration,

It gives me great pleasure, on behalf of the brothers' members of the Board of Directors, the Executive Management and all the employees of WARBA Insurance and Reinsurance Company, to welcome you to the forty-fourth annual meeting of the Ordinary General Assembly of the company, Which represents the main incentive to make every effort to meet your aspirations, and to maintain the company's elevation, prosperity and growth, and to contribute to the economic development of our dear country, State of Kuwait.

### A look at the global economy during the year 2022

"Crisis above crisis", thus was the title of the International Monetary Fund's annual report on the global economy for the year 2022 (Global Economic Outlook), where global recovery was possible in 2022 thanks to the development of vaccines, and unprecedented support from monetary policy and public finance policy, in addition to financial support, but it was turned upside down by the war between Russia and Ukraine, which severely affected global economic prospects, as global economic growth declined from 6% in 2021 to 3.2% in 2022, in light of a lack of Certainty of the course of events affecting the global economy.

As a result, economic risks increased sharply, geopolitical and social tensions escalated, and inflation rose sharply in many countries as a result of a combination of increased interest rates in central banks, high energy, food and commodity prices, and supply disruptions.

Even with a focus on mitigating the impact of crises (COVID-19 pandemic - the Russian / Ukrainian war), the world is also facing sweeping forces of longer-term change, including the effects of climate change and the digital revolution. The effects of these forces will inevitably be reflected in the balance of payments of each country separately, which increases the importance of structural reforms and processes for improving policy frameworks to build resilience and achieve long-term inclusive growth that enables dealing with and containing the effects of crises.

Economic challenges, from the pandemic and the spread of war repercussions to climate change and digital transformation, reveal the existence of economic and geopolitical cracks in the global economic and financial system.

### The economy of the Middle East and the Gulf Cooperation Council countries (GCC)

While the World Bank stated in its report that the Middle East and North Africa region witnessed a positive year, recording the highest annual growth rate in a decade, amounting to 5.7% in 2022, thanks to the rise in oil and gas prices and the increase in the volume of production. , from increasing its production and the volume of its exports last year at the fastest pace in about 10 years, while maintaining inflation rates at levels much lower than the global average, as it managed to achieve the highest global economic growth rate of 6.9%, and the gross domestic product reached The GCC countries have more than 2 trillion USD.

## Kuwaiti economy during the year 2022

The economic growth of the State of Kuwait in 2022 reached 8.7%, compared to 1.3% in 2021, with a gross domestic product of 183.6 billion USD in 2022, compared to 132.3 billion USD in 2021, as Kuwait is moving rapidly to achieve diversification in its economy. And reduce its dependence on oil revenues, in line with the development plan and the vision of the State of Kuwait 2035, and achieve its desired goals, and the long-term priorities they include for development.

This was reflected in the country's sovereign rating, which witnessed a reduction during the years 2020 and 2021, as the international rating agency Standard & Poor's modified the outlook for the rating from a negative outlook to a stable outlook at (A+), and Moody's confirmed its sovereign credit rating. At the (A1) rank, with a stable outlook, Fitch Ratings confirmed the sovereign credit rating at (AA-) with a stable outlook.

During the year 2022, the Insurance Regulatory Unit continued its efforts to develop the insurance sector in the State of Kuwait to make it more organized, stable and supportive of the national economy, raise the standards of the sector, and suppress and legalize absurd practices in the sector, which were previously considered the main obstacle to the development of the insurance sector, through its practice For its effective oversight role on all companies subject to it, in addition to its keenness to facilitate business and remove obstacles, whether for companies or customers, and work to support the electronic transformation of the unit's business and services, and enable and enhance the role of modern digital systems such as the (IRUSOFT) system, which represented the link between the unit and the companies, as well as following up on customer complaints through it, with all professionalism, integrity and transparency.

## Insurance Regulatory Unit

During the year 2022, the Insurance Regulatory Unit issued (12) circulars and (41) decisions, and perhaps the most important of these decisions is Resolution No. (14), which is related to the requirements that must be met by companies licensed by the unit to practice insurance activities and insurance professions, Which has become the highest standard for the practice of any of the insurance professions, and prevented non-insurance practices that were previously carried out, through strict rules and purely insurance requirements, to ensure the professional management and organization of the insurance sector in the State of Kuwait in accordance with the best international standards.

In support of its role and its keenness to be an icon of government action in the State of Kuwait, the unit developed a strategic plan starting from 2023 to 2026. When developing and developing its strategic plan, the unit took into account the study of the most important challenges facing the Kuwaiti insurance sector, its needs and the factors affecting it, in addition to the opinions and observations of specialists and clients in the sector, to ensure the comprehensiveness and appropriateness of the plan drawn up.

WARBA Insurance and Reinsurance Company appreciates the positive and effective role of the Insurance Regulatory Unit, which added a lot to the insurance sector in Kuwait, after decades of neglect and lack of development, and its absolute support for the objectives and strategies of the unit aimed at the advancement and development of the sector, and confirms the company's full commitment to all laws, decisions, circulars and instructions issued by the unit.

## WARBA Insurance and Reinsurance Company in 2022

As for the WARBA Insurance and Reinsurance Company, and within the framework of the ambitious strategic plans for growth and expansion at the local and regional levels, the Board of Directors has submitted its recommendations to the Extraordinary General Assembly of the company's shareholders, to add reinsurance activity, and to amend the name of the company accordingly, because Reinsurance activity helps to stabilize and stabilize the percentage of losses, distributes and shares risks, improves the solvency margin, increases the company's opportunities to expand its customer base and increase underwriting, and enhances confidence in the company's capabilities to fulfill its obligations towards customers' claims, and to maintain Stability of the company's financial position.

As well as increasing the company's capital, which enhances the company's financial capacity and increases capital adequacy (the company's current capital is higher than the standard of Standard & Poor's at rank (AAA) according to the company's latest rating report in April 2022), as well as in accordance with the regulatory requirements for carrying out reinsurance activities, and supporting strategic plans for expansion and diversification of income sources.

The company continued its positive and exceptional performance during the year 2022, and within the framework of the strategic plans, objectives and key performance indicators set, as well as the approved policies and procedures, according to the following:

- The company continues to provide distinguished services to all its clients (entities - individuals), and works to overcome all difficulties and facilitate business for them.
- The company continues to conclude strategic alliances and partnerships with international insurance and reinsurance companies, in accordance with the highest standards of institutional evaluation and credit ratings.
- The company continues to develop and modernize its infrastructure for information technology and information security technology, increase the volume of business that is done automatically, and provide secure channels for all the company's data and customer bases.
- The company continues to support modern remote work technologies, in order to ensure business continuity under any circumstances or changes.
- The company continues to adopt the best international practices related to business in general, and those related to insurance, reinsurance and investment in particular.
- The company's continued commitment to the plans and initiatives recommended through "WARBA's Vision", which resulted and reflected positively on the company's overall performance.
- The company's continuation of its strategy to attract the best distinguished cadres, especially national cadres, to support and achieve the desired goals, at all levels and operational and support functions, and to maintain the highest degrees of excellence in doing business.

- Providing continuous support to the control sector in the company, in order to ensure the company's full compliance, at all levels, with the laws, instructions, policies and procedures established and approved.
- Promoting, disseminating and consolidating the principles of governance in the company, through the principle of (4 Eyes Principal), accountability, integrity, transparency, taking into account the rights of shareholders and stakeholders, and avoiding cases of conflict of interest, to become a general and authentic culture at the level of the company.

The company also continued to adhere to the implementation of its policy set and approved in accordance with the highest international standards, which depends on exiting from low-profit and high-risk businesses, and proceeding with high-profit and low-risk businesses, at the level of operational activities (insurance and reinsurance) and investment activities. Which resulted in the company achieving exceptional results at all levels.

## First: The most important financial indicators for the year 2022:

During the year 2022, WARBA Insurance and Reinsurance Company continued to achieve distinguished and exceptional financial results, as follows:

- The company's net profit to the shareholders of the parent company increased by 33%, amounting to KWD 3,114,002. In 2022, compared to a profit of KWD 2,343,147. In 2021.
- The total written premiums increased by 20%, as it became in 2022, 40,867,841 KWD compared to 2021, when it was 34,211,716 KWD.
- An increase in net written premiums by 20%, as it became in 2022, 22,524,729 KD, compared to 2021, when it was 18,797,894 KD.
- An increase in net earned premiums by 16%, as it became in 2022, 20,840,243 KD, compared to 2021, when it was 17,964,303 KD.
- Net operating profits (underwriting profits) increased by 76%, reaching KWD 4,122,884 in 2022 compared to KD 2,343,743 in 2021.
- Total liabilities decreased by 27%, to reach KWD 60,358,468 in 2022 compared to KWD 82,555,064 in 2021.
- Fixed deposits increased by 24%, reaching KD 6,806,775 in 2022 compared to KD 5,488,820 in 2021.

Such aforementioned results clearly confirm the effectiveness and efficacy of strategic planning, commitment to achieving the goals and visions set, and the prudent decisions taken that enhance the company's performance, the quality of its work, and increase its profitability and return.

## Second: Capital Management:

WARBA Insurance and Reinsurance Company seeks to develop the structure and sources of capital to ensure the continuity of shareholders obtaining the highest returns and guarantee the rights of policyholders, as well as diversify investment sources according to the investment policy approved by the Board of Directors, and the methodology of high profitability and low risks.

The company's approach to capital management includes managing assets, liabilities and risks in a dual coordination manner, assessing the deficit between registered capital levels and the levels required to be available, on the basis of the going concern principle, and taking appropriate measures to affect the financial position of the group in light of changes in economic conditions and risk characteristics through the company's internal capital model. An important aspect of the company's overall capital management approach is setting its target risk-adjusted rates of return in alignment with performance objectives and ensuring the company's focus is on maximizing shareholder value.

Capital requirements are evaluated and forecasted periodically using the company's internal capital model and evaluate these expected requirements compared to the available capital according to expectations and the expected internal rate of return, including risk and sensitivity analyses. This process is ultimately subject to the approval of the Board of Directors

The company is also committed to the investment policy set and approved by the Board of Directors, to enhance its profitability and high return, through the set policy, as well as investing in portfolios and financial funds with high and stable profitability, and providing promising and exceptional investment opportunities.

## Teamwork ecosystem

Dear Shareholders,

The teamwork system is the motto of the WARBA Insurance and Reinsurance Company, which provides any institution with factors of success and distinction, through the various work teams, whether operational or supportive, especially the functions of sales, underwriting and claims management, which is the main nucleus of the company's insurance operational activities, and their tireless efforts To increase sales in various types of insurance, and professionally formulate insurance documents, which supports customers' confidence in the company, and meets their various requirements, as well as managing claims in an ideal manner, with all fairness, integrity, and transparency, and everyone works through the company's teamwork system as one harmonious fabric, to provide services Distinguished and upscale work for the company's clients.

## Credit rating

The credit rating of institutions is one of the factors of strength and attraction and adds confidence to these institutions, especially in the aspects of operational business and investment. WARBA Insurance and Reinsurance Company was able to maintain high levels of credit rating thanks to concerted efforts and hard work during the year 2022, the company was able to improve its credit rating from a stable outlook to a positive outlook at the (BBB) level, according to the global rating agency Standard & Poor's (S&P Global), where the agency emphasized the improvement in the performance and growth of underwriting in the company and the reduction of concerns about fluctuations in capital and profits, as well as the improvement in the liquidity situation, and the decrease in expenses, as well as reflecting the company's ability to maintain its market share in a positive way, and the stability of business and performance of the company supported by the profits achieved on Over the past years, the company continued to achieve capital adequacy that exceeds the requirement at (AAA) rank, which is the highest rank in the agency's rating, within the framework of the agency's internal risk-based capital model, and the rating reflects the company's strong and distinguished position, and the distinguished performance of its operational and investment activities.

## Quality Management

Obtaining quality certificates by organizations reflects the organization's ability to meet customer demands and exceed expectations. This is also reflected in significant improvements in organizational efficiency and quality of services by reducing error and loss rates, increasing productivity, and increases the organization's competitiveness and stability in the market. Over the course of fifteen years, WARBA Insurance and Reinsurance Company has confirmed its entitlement to the management quality certificate in accordance with the international standard (ISO 9001:2015), maintaining professional and exceptional administrative performance rates, and is committed to policies and procedures in accordance with the international risk-based standard, as well as the Information Security Quality Certificate in accordance with the international standard (ISO 27001: 2013), which confirms and enhances the company's credibility in maintaining the confidentiality and security of customer databases and all its operations.

The company's entitlement to the aforementioned quality certificates and maintaining them confirms 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 international standards.

## Human Capital Wealth

The human capital of the WARBA Insurance and Reinsurance Company is one of the most important fixed assets that characterizes the company and maintains and supports it, through continuous development and the weight of various skills and competencies, and through contracting with international educational bodies and institutes such as (Chartered Insurance Institute (CII – London) ) as an accredited center for the institute's examinations, and to encourage employees to obtain advanced academic qualifications in the field of insurance, as a kind of long-term investment in the company's employees, and to form accumulated experiences, which raises the level of services and work carried out by the company, and the company performs by supporting its lines of operations with the latest and best technologies, equipment and digital solutions, which give the company uniqueness, distinction and progress in all the services and work it undertakes, in addition to the company's adoption of a strategy to employ national cadres and train newly graduated Kuwaiti students.

## Social Responsibilities

In 2022, the company supported its continuous efforts in corporate social responsibility through activities that serve the community and the public interest by participating in social and charitable development initiatives as follows:

- Children's health bags for schools on World Health Day
- Providing schools with smart classrooms
- Insurance awareness lecture for Kuwait University

- Kuwait National Day party with Sky Event Company
- Environmental Business Conference
- United Nations Day event
- MEDIA ROLL event (Kuwait University).

## The future strategy of the company:

WARBA Insurance and Reinsurance Company will continue to focus all its efforts towards implementing its strategic directions approved by the Board of Directors, and working towards offering more innovative insurance services and digital products of distinguished and advanced quality, as well as establishing partnerships with similar entities to achieve integration in business models. The company will also continue to study a number of strategic initiatives and services, allowing it to draw a road map for the scope of services and an implementation plan to improve existing services and products. Insurance in the State of Kuwait in terms of efficiency and productivity. The company will also provide support and growth for its investment portfolio, and increase its market share. The company will also be keen to provide its services in a manner that provides added value to all its subscribers and work to develop its systems and business, reflecting its desire to add a new dimension of Its mission is to achieve the desired goal aimed at developing awareness and insurance culture for all citizens and residents in the State of Kuwait.

The commitment of WARBA Insurance and Reinsurance Company to support the insurance industry in the State of Kuwait represents the focus of the company's directions as a leading institution in the field of providing insurance services within the State of Kuwait. The company will also continue to provide strategic services based on long-term planning while placing the needs of the insurance industry at the top of its priorities and plans, and to maintain the stability and growth of its business development. In light of the company's efforts to meet the requirements of that industry, the company will continue to focus on enhancing the efficiency of the company's services in the future In order to enhance its leading position as a center for insurance services, achieve more growth and development in the coming years, and achieve positive results and high profitability, in order to achieve the ambitions of our customers and shareholders, as well as contribute to improving the business environment index in the State of Kuwait.

## Third: Profits and Recommendations:

The annual profit for the fiscal year 2022 amounted to KWD 3,290,326 and by adding the retained earnings at the beginning of the year amounting of KWD 2,423,828, and after deducting the distributions due to the shareholders for the year 2021, which amount of KWD 1,712,206, and after deducting the minority interests, which amount of (2,275) KWD, the total distributable profits amount to KD 3,999,673.

Accordingly, the Board of Directors is pleased to recommend the following distributions of the company's profits, and to explain them as follows:

| Statement | Value (KWD) |
|---|---|
| 8% of the paid-up capital for distribution in cash to shareholders | 1,354,152 |
| 41.16% bonus shares distributed to shareholders (41.16 shares for every 100 shares) | 7,289,154 |
| 8% of the paid-up capital for distribution in cash to shareholders | 31,855 |
| National Labor Support Tax | 105,966 |
| Zakat | 40,778 |
| The remuneration of the members of the Board of Directors | 169,500 |

## Thanks, and Appreciation

Honorable Shareholders,

At the end of this brief report on the activity of your company, we cannot but extend, in our name and the name of all of you, sincere thanks and great gratitude and appreciation to His Highness, the Emir of the country,

Sheikh / Nawaf Al-Ahmad Al-Jaber Al-Sabah, and to the position of His Highness, the trustworthy Crown Prince, Sheikh / Mishaal Al-Ahmad Al-Jaber Al-Sabah, may God protect them And he kept them as an asset and a support for our beloved homeland, Kuwait, and directed their steps for the sake of the elevation of Kuwait and its people.

We also extend our thanks to Ministry of Commerce and Industry for supporting business and facilitating services provided, Insurance Regulatory Unit, Ministry of Finance, Ministry of Interior, as well as all other regulatory authorities, Capital Markets Authority, Boursa Kuwait, Kuwait Clearing Company, Kuwait Insurance Union, valuing their efforts in the advancement and advancement of the Kuwaiti economic work system and upgrading it to the highest position.

We also extend our thanks to our reinsurance partners, and we commend the continued cooperation between the national insurance companies to serve the Kuwaiti insurance market in the best way.

We also extend our sincere thanks and appreciation to the executive management and employees of the company for their sincerity, dedication and efforts to achieve more success, progress and prosperity for the company, and to preserve the capabilities and gains of the company.

May Allah grant us success for what is good and righteous deeds.

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

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 2022

**Gentlemen,**

**Dear shareholders of the company**

**Honorable members of the Board of Directors**

I am pleased to present to you the annual executive and operational report of Warba Insurance and Reinsurance Company for the fiscal year ending on December 31st, 2022, where the company continued its outstanding and exceptional operational performance, and commensurate with the company's position in the Kuwaiti and Gulf insurance market, as a well-established company with a history of more than 46 years, where the operational results confirm its entitlement and worthiness for that position.

The company's executive management continued to fully and accurately adhere to the strategic goals and visions set by the Board of Directors, and within the framework of approved policies, procedures and work mechanisms, persistent and fruitful work as a team to achieve these goals and visions, as these efforts yielded outstanding results year after year.

Warba Insurance and Reinsurance Company was able during the year 2022, despite the negative effects of the (Covid 19) pandemic, and the global economic conditions that had a great impact on the global economy during the year 2022, to continue its success at a steady and steady pace, and to achieve the target on all of the company's operations.

The steady success witnessed by the company during the past distinguished years, would not have been without proper planning and ambitious future visions, and the insistence of all employees of the company to achieve them and adhere to the plans and goals set with great precision, and this was reinforced by the use of expertise and competencies in all sectors and various departments of the company in a way In general, and especially in the insurance sectors such as the underwriting, sales and distribution sectors, and claims management, which was reflected in the company's ability to maintain a distinguished customer base and attract new customers, and this was evident in the company's operating results.

The Insurance Regulatory Unit has had a significant impact, in the development of the insurance sector in the State of Kuwait, since its inception in 2020, this regulatory environment created by the Insurance Regulatory Unit has yielded about realizing a reality we thought was unlikely, that environment provided the ingredients for success, progress and growth for serious insurance companies, this regulatory environment will contribute to the exclusion of intruders from the insurance industry, and the restoration of the Kuwaiti insurance sector, its historical pioneering role regionally and globally.

The company has developed information technology systems, means of work and remote communication, to keep pace with global modernity in all business sectors, especially in the field of insurance industry, and to provide modern services and products commensurate with the aspirations and requirements of the company's valued customers, in addition to enhancing understanding, ease and facilitation of business with business partners such as insurance and reinsurance companies, which enables the company to carry out its work professionally and with the highest standards of quality, and increases the operational efficiency of the business, in addition to the continuous updating of policies, procedures and work plans, as well as the development of existing services and designing new services in order to achieve leadership and prosperity for the company.

In conclusion, I extend my sincere thanks and appreciation to the Board of Directors of the company for their continuous support and guidance to achieve the vision of our company, and to our customers for their confidence in our services and our products, I also extend my gratitude and praise, in particular, to the sectors, departments, and employees of Warba Insurance and Reinsurance Company, and I commend their efforts and contributions during the year 2022, wishing them more success and distinction, and maintaining what we have achieved in terms of results and an outstanding level of service provision.

We also pledge to you to continue to work diligently and persevere to achieve the best results, to always live up to the name of Warba Insurance and Reinsurance Company, to achieve the desired and targeted and more, and to contribute to the development, growth and expansion of the operational operations sector, in a manner that achieves the highest profitability, returns and sustainability.

## Anwar Fozan Al-Sabej

**Chief Executive Officer**

# COMPANY OVERVIEW

## Company Overview

WARBA Insurance and Reinsurance Company was established by an Amiri decree in 1976, to be the fifth company to be established in the field of insurance industry in the State of Kuwait. With accumulated experience that extends for more than forty-five years, WARBA Insurance and Reinsurance Company continues to provide the highest levels of quality in providing services to its customers, in addition to providing many insurance products in a manner commensurate with and meeting the needs of the company's customers in a professional and professional manner, enhanced by integrity, honesty and transparency, and giving priority to the customer.

WARBA Insurance and Reinsurance Company also maintains its role in serving the community and spreading insurance awareness, as it assumed this role many years ago, and as part of Kuwait Vision 2035, which the company considers one of the most important goals that it seeks to achieve and plays its role, to raise the status of the State of Kuwait.

It has always been one of our strategic objectives to continue and maintain the values on which we were founded, and to insist on providing the best services and insurance solutions of the highest quality, honesty and integrity to our customers, and that our firm and entrenched belief is to continue successful and fruitful business relationships and strong and constructive ties with our customers, whether individuals or institutions, as well as creating distinguished and advanced insurance solutions and services that meet the requirements of our success partners, who are the company's customers.

## Technical Departments Sector

### Life Insurance

WARBA Insurance and Reinsurance Company offers a variety of options that are compatible with all the needs of individuals and companies, to help them plan for a secure future through multiple insurance solutions, and the company continues to diversify these life insurance solutions and services to suit the growth of corporate and individual operational requirements.

### Medical Insurance

WARBA Insurance and Reinsurance Company offers various options for individual and group health insurance, through which it provides various levels of health coverage, as the company offers many insurance solutions that can be formed and formulated according to the customer's needs, as well as WARBA Insurance and Reinsurance Company has a network of the best medical service providers Distinguished within Kuwait and worldwide.

### Marine Insurance

WARBA Insurance and Reinsurance Company has provided and developed marine insurance services to suit the requirements of individual and corporate clients to include insurance for goods during transport and also insurance for the structure and equipment of ships, yachts and boats and extends to cover various liabilities insurance.

### Motor Insurance

WARBA Insurance and Reinsurance remains the ideal and reliable partner in the field of car insurance, as the company continues to provide a distinguished level of customer service, and to provide and offer the best comprehensive packages of many services that cover car insurance for individuals and institutions.

### Fire and General Accidents Insurance

WARBA Insurance and Reinsurance offers many insurance options for both individuals and institutions, by providing various insurance solutions for various sectors such as the real estate sector, the industrial sector, and others, through the property all-risks insurance policy, engineering insurance policies, liability insurance policies and many other documents, while offering individuals Various solutions including property, home, personal accident, travel and other insurance.

### Claims management and Networks.

Claims management operations are managed professionally and impartially, with care to provide the best levels of service in granting insurance advice with regard to claiming compensation, refund or payment, as well as all types of compensation and other obligations, in addition to ensuring that proper standards are followed that provide the highest quality and strengthen relations with all networks. Whether the network of medical service providers or others.

### Sales, Distribution and Underwriting Management

The strategy of the Sales, Distribution and Underwriting Department aims to enhance the volume of sales and close communication between the various sectors of the WARBA Insurance and Reinsurance Company, which enables the company to provide better and more comprehensive insurance services and solutions to customers, and to address all their needs, as well as work to follow up the services provided to all customers with any requirements Others, which are flexible to meet the changing needs of customers, as a thorough study is prepared for each case individually and closely, in order to provide services effectively and satisfactorily to the customer. It also aims to restore the company's leading role in the Kuwaiti market, while ensuring that the company's approach remains customer-centric in all aspects of its business.

## Support Services Sector

### Public Relations and Marketing

The Public Relations and Marketing Department maintains continuous communication with clients, both individuals and institutions, with integrity and transparency, in order to provide the highest quality of services provided to our dear customers. It also interacts with customers through traditional media and advertising channels, in addition to new channels such as the website and social media, which allow the company to provide its services and insurance solutions to them and enable them to find what they are looking for, as well as participate in preserving the company's role in social responsibility towards Kuwaiti society.

## Information Technology

WARBA Insurance and Reinsurance Company follows a dynamic methodology in managing operational processes, as the company relies on applying international best practices in the field of electronic systems and integrated information technology solutions, to support the possibility of measuring and defining the company's indicators and providing accurate reports on performance, as well as the company pays great attention to developing Updating the information technology infrastructure and information security.

## Information security

One of the most important lines of defense in which protection, defense and information security programs for the company and its databases are managed, applying the company's information security policies, providing reports on the security status of the information and various databases, and monitoring and preventing any abuses or violations of the company's databases, according to the best standards and in accordance with the information security quality standard (ISO 27001).

## Financial Affairs

The Financial Affairs Department is one of the most important departments in the company, as it works to strengthen the company's financial position by implementing the company's strategy for managing cash flows from operational or investment operations with high returns and maximizing the company's profitability, as well as managing the company's financial transactions in accordance with international accounting standards and laws Kuwait.

## Legal Affairs

The company's legal affairs department is considered one of the important pillars and effective tools in the work system, as it specializes in providing legal advice for contracts, and providing legal protection for all company operations.

## Human Resources

At WARBA Insurance and Reinsurance Company, we believe that investing in the human element is one of the most important factors for development and success, which has a special priority. We are proud of the company's distinction in the fabric of expertise available to all employees of the company, who are considered one of the company's fixed assets. The Human Resources Department is keen to provide an ideal work environment. Supporting employees with intensive training programs to achieve the company's goals at all levels.

## Administrative Affairs

The Administrative Affairs Department works to provide and provide all administrative services for employees, as well as to follow the latest technologies in managing smart buildings, with the highest level of efficiency.

## Supervisory Sector

## Governance, Risk Management and Compliance (G.R.C.) Sector

### Risk Management

The Risk Management Department carries out prior and continuous monitoring of any risks that the company may be exposed to, and develops a unified vision to confront them, in addition to setting and developing strategic plans to mitigate the risks that the company may be exposed to, monitoring the efficiency and quality of the company's technical, administrative and operational processes, managing its credit rating, as well as preparing and preparing general frameworks for confrontations Indicators and models related to preparing plans and providing the company's planning bodies with them, preparing market and field research and studies, and preparing strategic objectives for work plans in accordance with the risk appetite approved by the company's board of directors, which maintains the level of adequacy of financial and capital solvency. The management also follows up the application of international risk standards in accordance with to the standard (ISO 31000).

### Compliance Department

The Compliance Department ensures that the company is committed to operating within a legal framework and in conformity with the laws and instructions issued by the regulatory authorities in the country with regard to compliance with the Companies Law, the Anti-Money Laundering and Terrorist Financing Law, the international agreements related to the American Tax Compliance Act (FATCA) and the Common Reporting Standards Agreement (CRS), and the contribution In developing the insurance industry sector through the application of Law No. (125) of 2019 regarding the regulation of insurance and its executive regulations, and all decisions, circulars and instructions of the Insurance Regulatory Unit, in addition to following up everything related to the application of administrative quality standards (ISO 9001).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.

### Corporate Governance Department

The Governance Department ensures that the company is committed to operating within a legal framework and conforms to the principles and instructions of governance issued by the Capital Markets Authority, as well as following up on the implementation and organization of the work of the Board of Directors and its sub-committees, in addition to organizing the meetings of the general assembly of the company's shareholders.

## Internal Audit Department

The Internal Audit Department conducts examinations, monitoring and analysis of activities related to the context of the financial and accounting operations of the company, and their compatibility with international accounting standards and local laws and controls in the State of Kuwait, as well as preparing periodic reports on internal audit operations in accordance with the audit plan approved by the Board of Directors.

# Corporate Governance Report

for the Year Ending in 31 December 2022

Promoting the concept of governance is no longer confined to only a certain category of institutions and bodies in the State of Kuwait, but has become a holistic concept for the entire country, where governance is a basic requirement to ensure the development of the government sector, the business sector, and the Kuwaiti national economy in general, and that the development of work systems and making them integrated with determining the type of responsibilities and powers and committing to implementing them constitutes the correct foundations and rules for governance, and promotes a culture of transparency, integrity and accountability at all levels in all sectors.

One of the most important reasons for the interest in the governance model is due to the emergence of overlapping powers and responsibilities, the absence of accountability, the weakness of the internal control systems in some entities, the low levels of disclosure and transparency, and the conflict of interests, this can only be overcome through interest and commitment to the concept of governance and its applications. This is what the Capital Markets Authority has done since 2013, when it issued Resolution No. (25) of 2013 regarding the rules of corporate governance in companies subject to its supervision, and its amendments contained in Book Fifteen (Corporate Governance) of the Executive Regulations of Law No. (7) For the year 2010, and the Civil Service Bureau, in coordination with the General Secretariat of the Supreme Council for Planning and Development, was assigned to circulate the national guide for corporate governance in the state's administrative apparatus, starting from January 2022 (the guide was issued in 2019), to all government agencies for guidance in developing The foundations and procedures for applying the principles of governance referred to in the guide, which will allow the executive authority represented by the government of the State of Kuwait to apply the principles of governance. There is no doubt that applying and working with what is stated in this guide will have an effective impact on This will affect all government agencies in particular, and the ranking of the State of Kuwait in global competitiveness reports in general.

Thus, governance in the State of Kuwait has become of great importance in achieving a distinguished reality in society, which is represented in the vision of the State of Kuwait 2035, as it included a part related to adopting a comprehensive and effective governance system for all sectors, especially the government sector at all levels, and its success depends to a large extent on the ability of the government apparatus in achieving the goals, programs and strategies assigned to it with high efficiency and effectiveness, since the composition of the Kuwaiti economy depends on a single source of income, which is sales of crude oil and natural gas, and a small part of non-oil revenues, which is represented in customs duties, taxes on non-oil companies and service fees, and it is imperative to establish applicable governance rules to help absorb the culture and concepts of governance of government agencies in order to address future challenges, achieve the optimal methodology for risk management, raise the efficiency and rationalization of public spending, and seriously search for ways to develop non-oil revenues, as well as develop industries related to oil derivatives, in a way that competes with the global market and maximize the country's income and gross domestic product, and stand on the best regional and global practices in order to find a roadmap towards the ideal model for application in the State of Kuwait, by defining the administrative and legal requirements and the mechanisms available to achieve this.

It is worth noting what was stated in the State Audit Bureau's report issued under the name of the most important financial indicators, control phenomena and developments (2021-2022), that the results of the study on the extent of the commitment of government agencies covered by the audit of the State Audit Bureau to apply the principles of governance have been reviewed and analyzed, as the number of those entities reached ( 66 government agencies, (30) ministries and government departments, (20) government public agencies with an appended budget, and (16) public institutions with an independent budget. The General Secretariat of the Supreme Council for Planning and Development topped the ministries and government agencies with a rate of 86.5%. The Anti-Corruption Authority (Nazaha) topped government agencies with an attached budget by 78.5%, and the Capital Markets Authority topped public institutions with an independent budget by 95.4%, for the third year in a row.

## Basic principles of public sector governance

| | | | |
|---|---|---|---|
| 1 | The rule of law principle | 5 | Integrity principle |
| 2 | Principle of protection of public funds | 6 | Principle of effectiveness and efficiency |
| 3 | Principle of disclosure and transparency | 7 | Principle of protecting the rights of related parties |
| 4 | Principle of accounting and accountability | 8 | Principle of sustainability and social responsibility |

## The importance of corporate governance is summarized as follows:

1) Attracting domestic and foreign investments and reducing financing costs
2) Limiting the flight of local capital abroad and its emigration
3) Ensuring that investors get a fair return on their investment
4) Increasing growth and maximizing the rights of stakeholders
5) Ensuring an appropriate amount of reassurance for investors and maximizing the market value of shares
6) Strengthening the competitiveness of institutions in the local and global financial markets and increasing their value
7) Ensuring the efficient implementation of privatization programs and the optimal use of their financial proceeds
8) Fighting financial and administrative corruption and not allowing them to exist
9) Achieving a guarantee of integrity, impartiality and integrity for all employees in the institution.
10) Achieve full disclosure and transparency in the financial statements
11) Ensure the highest level of effectiveness for the external auditors, and ensure their independence.

## The objectives of governance are summarized as follows:

1) Achieving transparency, justice and protecting the rights of shareholders.
2) Finding controls, rules and administrative structures that give the right to accountability.
3) Working on developing the assets and assets of the company and maximizing profitability.
4) Attracting investments, whether local or foreign.
5) Deepening the culture of compliance with applicable laws, principles and standards.

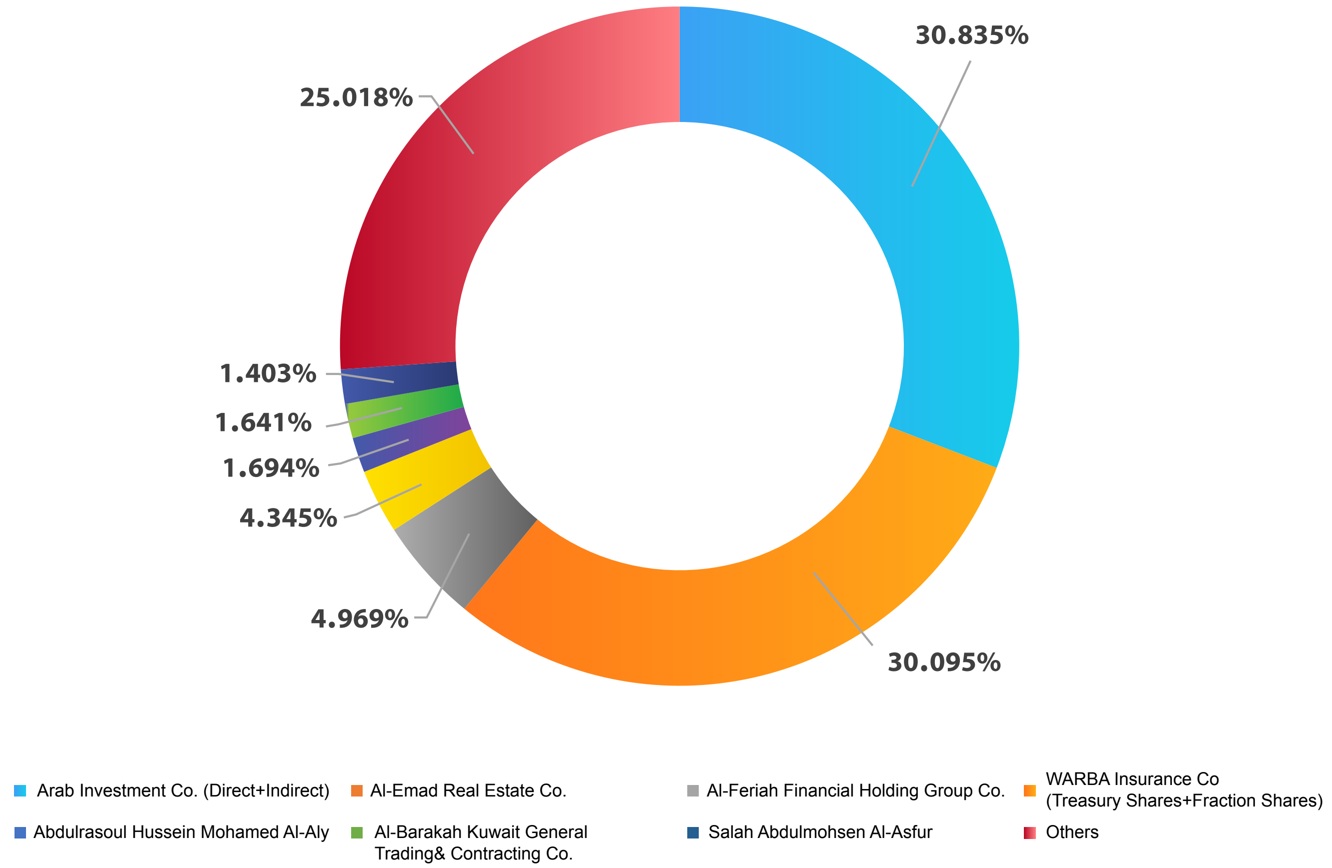
In this context, the Board of Directors of WARBA Insurance and Reinsurance Company is keen to continue pushing the company towards achieving long-term success as WARBA Insurance and Reinsurance Company is one of the long-standing and pioneering companies in the field of insurance in the State of Kuwait, as the company has been able throughout its history to achieve stability and growth and prosperity. This is through the company, represented by its Board of Directors, developing a culture of governance and compliance at the level of all its departments and activities and establishing sound and effective institutional values, in addition to the fact that governance standards are one of the foundations that are clearly reflected in the company's strategy, especially those standards and rules approved by the Capital Markets Authority in the State of Kuwait. , which has strengthened and followed up the implementation of the principles of governance in the companies subject to its control, and even extended that governance has become an approach to the State of Kuwait and within its development plans, and includes many ministries, institutions and government entities, and is one of the most important factors and pillars that contribute to achieving the vision of the State of Kuwait 2035.

The company realizes the importance of applying the principles and standards of good governance, and the consequent follow-up of professional and ethical standards in all transactions, and the disclosure and transparency of information accurately and in a timely manner, in a way that contributes to deepening and developing the efficiency of the company's work, which enhances the confidence of shareholders and all parties. The relevant stakeholders and stakeholders in the performance of the company on the one hand and the Kuwaiti insurance sector on the other hand. Our general framework of governance reflects a consistent approach at all levels of the company, and the framework and application of governance is subject to periodic review by the company's board of directors.

The entire company, represented by the Board of Directors and the regulatory sector, is responsible for ensuring the application of the governance framework, as the Board of Directors is responsible for defining general executive strategies and policies, while The supervisory sector is responsible for ensuring the implementation of governance through a strong system of effective policies and procedures, which witnesses all means of support from the Board of Directors.

## 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) | 7,696,022 | % 4.345 |
| Abdul Rasoul Hussain Mohammed Al Ali | 3,000,000 | 1.694 % |
| Al Baraka Kuwaiti General Trading and Contracting Company | 2,905,620 | 1.641 % |
| Salah Abdel Mohsen Abdel Latif Al-Asfoor | 2,485,000 | 1.403 % |
| Others | 44,309,703 | 25.018 % |
| **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 and Reinsurance 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 (2022)

### Meetings of the Board of Directors:

| Meeting No. | Date of Meeting | No. of Attendees |
|---|---|---|
| (1/2022) | 24/01/2022 | 7 |
| (2/2022) | 21/02/2022 | 5 |
| (3/2022) | 17/04/2022 | 7 |
| (4/2022) | 11/05/2022 | 6 |
| (5/2022) | 14/08/2022 | 5 |
| (6/2022) | 08/11/2022 | 6 |

| Member's Name | Meeting (1) 24/01/2022 | Meeting (2) 21/02/2022 | Meeting (3) 17/04/2022 | Meeting (4) 11/05/2022 | Meeting (5) 14/08/2022 | Meeting (6) 08/11/2022 | No. of Meetings |
|---|---|---|---|---|---|---|---|
| Mr. Anwar Jawad Bukhamseen Chairman of Board of Directors | (√) | (√) | (√) | (√) | (√) | (√) | 6 |
| Sheikh Muhammad Al-Jarrah Al-Sabah / Deputy Chairman of the Board | (√) | (×) | (√) | (√) | (×) | (√) | 4 |
| Mr. Raed Jawad Bukhamseen Member of the Board of Directors | (√) | (×) | (√) | (×) | (×) | (√) | 3 |
| Mr. Hazem Ali Al-Mutairi Member of the Board of Directors | (√) | (√) | (√) | (√) | (√) | (√) | 6 |
| Mr. Rifaat Ghalayini Member of the Board of Directors | (√) | (√) | (√) | (√) | (√) | (√) | 6 |
| Mr. Rafid Al-Rifai Member of the Board of Directors Independent | (√) | (√) | (√) | (√) | (√) | (×) | 5 |
| Mr. Muhammad Al-Mubarki Member of the Board of Directors Independent | (√) | (√) | (√) | (√) | (√) | (√) | 6 |

## 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:

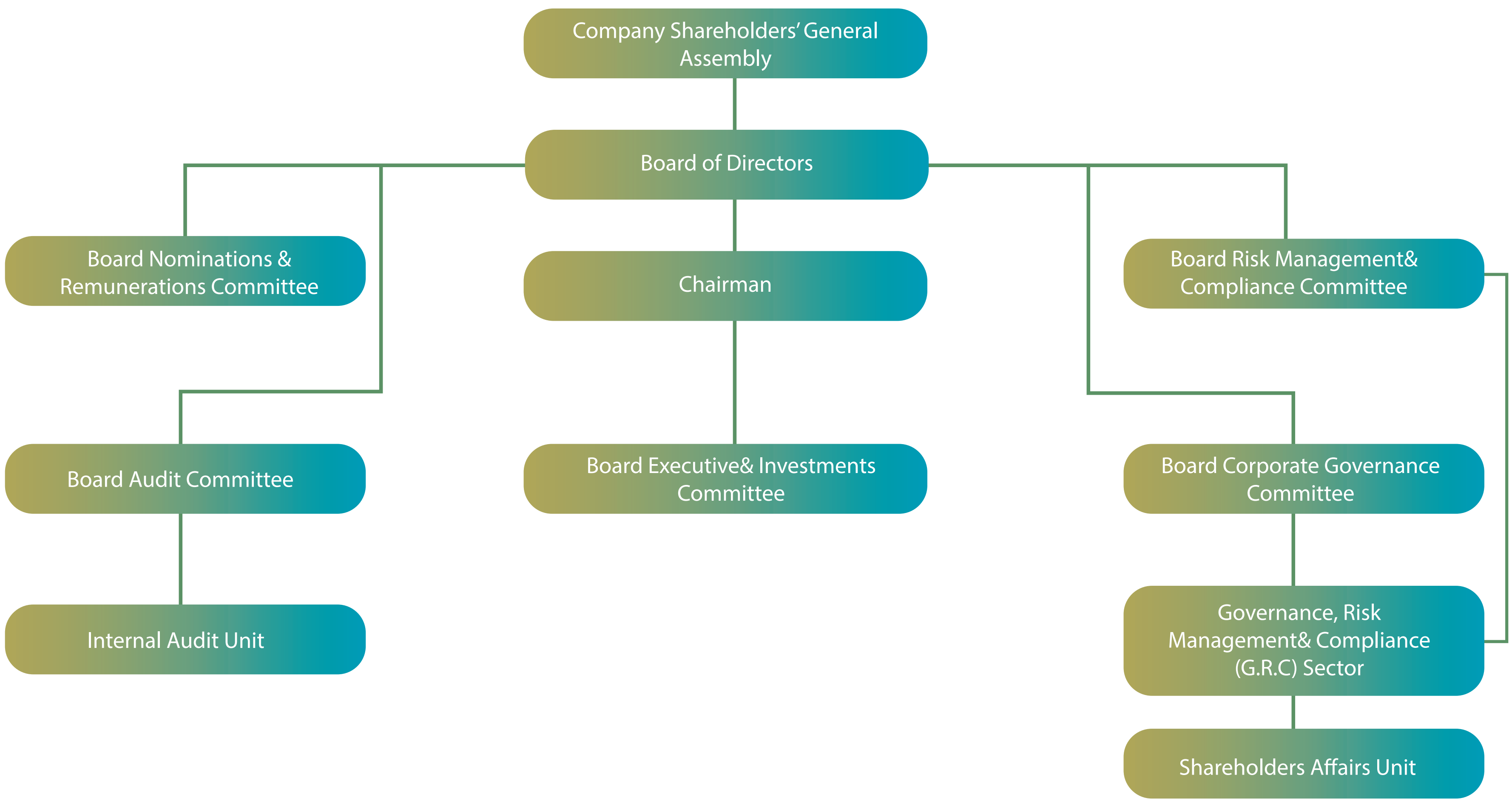
- Working to implement all the Company's internal policies, regulations and systems as approved by the Board of Directors.
- Executing the annual strategy and plan approved by the Board of Directors.
- Preparing periodic (financial and non-financial) reports on the progress made in the Company's activity 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 | √ | √ |

# Governance Org Chart



## Executive and Investment Committee:

**Formation:**

| Member Name | Position | No. of Meetings |
|---|---|---|
| Mr. Anwar Jawad Bukhamseen | Chairman of the Committee | No Meetings |
| Mr. Raed Jawad Bukhamseen | Committee Member | |
| Mr. Refaat Ghalayinin | 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.
- Evaluating and analyzing environmental, social and governance sustainability risks to reduce them as much as possible and determining the appropriate measures to deal with them.

## Audit 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 | Five Meetings |
| Mr. Rifaat Ghalayini | Committee Member | |
| Mr. Mohamed Al-Mubarki | 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. Mohamed Al-Mubarki | 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.

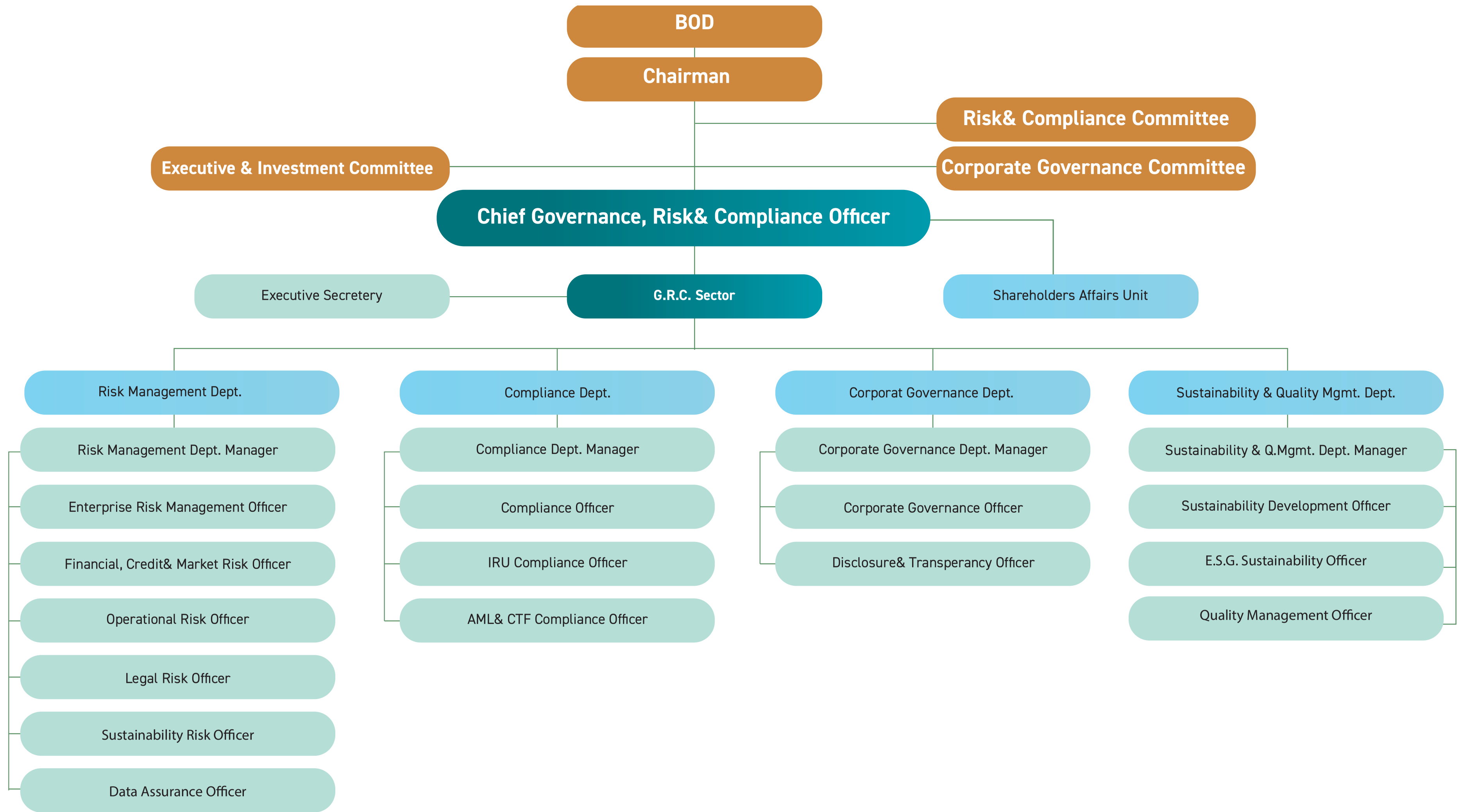
### Responsibilities of the Compliance Department:

- 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

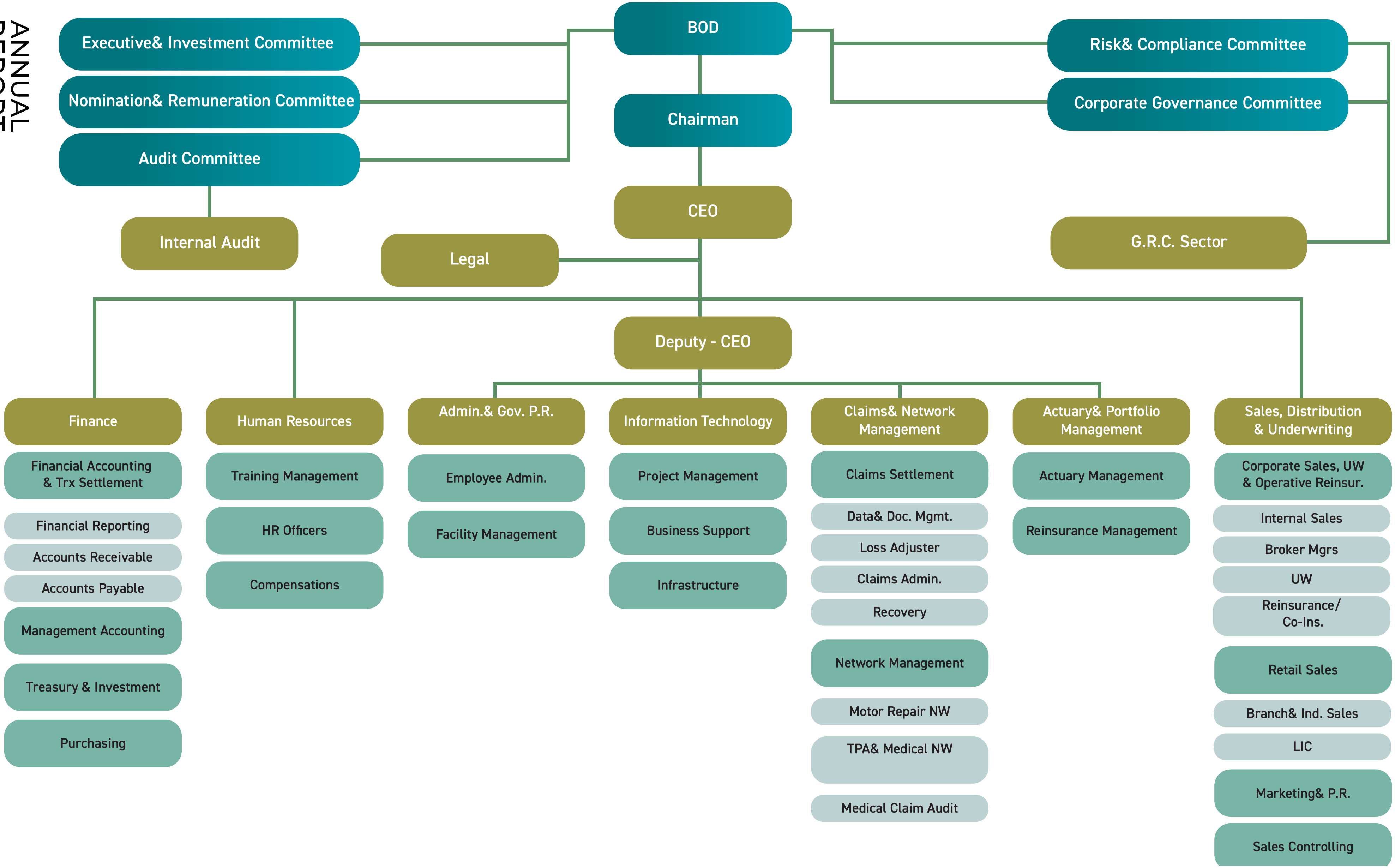
## Brief on setting a policy that ensures achieving a balance between the Company's goals and those of society:

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 and Reinsurance Company



## Board of Directors' Report on the Internal Control Systems for the Year 2022:

The Board of Directors of WARBA Insurance and Reinsurance 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 2022, 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 2022:

The Risk and Compliance Committee has held (5) meetings during the year 2022 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 2022:

The Audit Committee has held (6) meetings during the year 2022 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, 2022

# WARBA INSURANCE AND REINSURANCE COMPANY K.S.C.P. (FORMERLY "WARBA INSURANCE COMPANY K.S.C.P.") AND ITS SUBSIDIARY

## CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2022

الكويت في 2023/02/16

## إقرار وتعهد

## (بسلامة ونزاهة البيانات المالية)

نقر ونتعهد نحن رئيس وأعضاء مجلس إدارة شركة وربة للتأمين وإعادة التأمين (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 المنتهى في 31 ديسمبر 2022، 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) | ........................ |

Building a better working world

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

## Report on the Audit of Consolidated Financial Statements

*Opinion*

We have audited the consolidated financial statements of Warba Insurance and Reinsurance 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 2022, 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 2022, 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 year. 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 AND REINSURANCE 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 13,277,565 representing 13% of the Group's total assets are significant to the Group's consolidated financial statements as at 31 December 2022. 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 AND REINSURANCE 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 2022. 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 AND REINSURANCE COMPANY K.S.C.P. (continued)**

**Report on the Audit of Consolidated Financial Statements (continued)**

**Other information included in the Group’s 2022 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 AND REINSURANCE 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.

**SINDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE AND REINSURANCE 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 2022 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 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

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

16 February 2023
Kuwait

# CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

| | *Notes* | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|---|
| **Revenues:** | | | |
| Gross premiums written | | **40,867,841** | 34,211,716 |
| Premiums ceded to reinsurers | | **(18,343,112)** | (15,413,822) |
| Net premiums written | | **22,524,729** | 18,797,894 |
| Movement in unearned premiums reserve | | **(1,822,668)** | (770,815) |
| Movement in life mathematical reserve | | **138,182** | (62,776) |
| Net premiums earned | | **20,840,243** | 17,964,303 |
| Commissions income earned on ceded reinsurance | | **1,514,157** | 1,438,938 |
| Policy issuance fees | | **93,798** | 75,486 |
| | | **22,448,198** | 19,478,727 |
| **Expenses:** | | | |
| Net claims incurred | 16 | **(12,720,476)** | (11,475,361) |
| Commissions and premiums' acquisition costs | | **(2,083,948)** | (2,234,329) |
| General and administrative expenses | | **(3,520,890)** | (3,425,294) |
| | | **(18,325,314)** | (17,134,984) |
| **Net underwriting income** | | **4,122,884** | 2,343,743 |
| Net investment income / expense | 3 | **533,769** | 1,334,785 |
| Other insurance services income | | **571,504** | 444,506 |
| Foreign currency exchange differences | | **33,230** | 92,138 |
| Other income | | **20,764** | 50,536 |
| Share of results of associates | 6 | **461,398** | 403,557 |
| | | **5,743,549** | 4,669,265 |
| **Other expenses:** | | | |
| Unallocated general and administrative expenses | | **(1,131,595)** | (956,226) |
| Other insurance services expense | | **(569,307)** | (559,547) |
| Allowances for impairment for doubtful and bad debts | 9 | **(752,321)** | (700,000) |
| | | **(2,453,223)** | (2,215,773) |
| **Profit before contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST) and Zakat** | | **3,290,326** | 2,453,492 |
| Contribution to KFAS | | **(31,855)** | (22,036) |
| NLST | | **(105,966)** | (81,244) |
| Zakat | | **(40,778)** | (30,035) |
| **PROFIT FOR THE YEAR** | | **3,111,727** | 2,320,177 |
| **Attributable to:** | | | |
| Equity holders of the Parent Company | | **3,114,002** | 2,343,147 |
| Non-controlling interest | | **(2,275)** | (22,970) |
| | | **3,111,727** | 2,320,177 |
| **BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY** | 4 | **18.34 Fils** | 13.77 Fils |

The attached notes 1 to 25 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

| | *Notes* | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|---|
| **Profit for the year** | | **3,111,727** | 2,320,177 |
| **Other comprehensive income:** | | | |
| *Items that are or may be reclassified to the consolidated statement of income in subsequent periods:* | | | |
| Net unrealised (loss) gain of financial assets available for sale | | **(3,017,725)** | 2,707,584 |
| Impairment loss on financial assets available for sale | 3 | **-** | 30,906 |
| Share of other comprehensive (loss) gain of associates | 6 | **(27,492)** | 33,075 |
| **Other comprehensive (loss) income for the year** | | **(3,045,217)** | 2,771,565 |
| **Total comprehensive income for the year** | | **66,510** | 5,091,742 |
| **Attributable to:** | | | |
| Equity holders of the Parent Company | | **68,785** | 5,114,712 |
| Non-controlling interests | | **(2,275)** | (22,970) |
| | | **66,510** | 5,091,742 |

The attached notes 1 to 25 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | Notes | *31 December 2022 KD* | *31 December 2021 KD* |
|---|---|---|---|
| **ASSETS** | | | |
| Property and equipment | 5 | **7,304,970** | 7,235,392 |
| Investment in associates | 6 | **8,330,796** | 8,076,790 |
| Loan secured by life insurance policies | | **17,072** | 22,288 |
| Financial assets available for sale | 7 | **21,796,472** | 24,727,974 |
| Financial assets at fair value through profit or loss | 8 | **11,574,143** | 9,288,767 |
| Reinsurance share in outstanding claims reserve | 16 | **15,374,566** | 42,188,938 |
| Insurance and reinsurance receivables | 9 | **13,277,565** | 12,096,387 |
| Other assets | 10 | **7,701,658** | 6,621,005 |
| Fixed deposits | 11 | **6,806,775** | 5,488,820 |
| Cash and cash equivalents | 12 | **6,853,248** | 7,445,592 |
| **TOTAL ASSETS** | | **99,037,265** | 123,191,953 |
| **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 | **(1,122,737)** | (893,031) |
| Treasury shares reserve | | **223,066** | 305,756 |
| Cumulative changes in fair values reserve | | **4,563,238** | 7,608,455 |
| Retained earnings | | **3,825,624** | 2,423,828 |
| **Equity attributable to equity holders of the Parent Company** | | **38,746,041** | 40,701,858 |
| Non-controlling interests | | **(67,244)** | (64,969) |
| **Total equity** | | **38,678,797** | 40,636,889 |
| **Liabilities** | | | |
| Long term loan | | **4,000,000** | 4,000,000 |
| Insurance contract liabilities | 16 | **34,973,900** | 59,663,899 |
| Insurance and reinsurance payables | 17 | **10,871,409** | 9,641,318 |
| Other liabilities | 18 | **10,513,159** | 9,249,847 |
| **Total liabilities** | | **60,358,468** | 82,555,064 |
| **TOTAL EQUITY AND LIABILITIES** | | **99,037,265** | 123,191,953 |

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarrah Sabah Al-Sabah
Vice Chairman

WARBA INSURANCE & REINSURANCE
وربة للتأمين وإعادة التأمين

The attached notes 1 to 25 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

| | *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 2022 | 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 |
| Profit (loss) for the year | - | - | - | - | - | - | - | 3,114,002 | 3,114,002 | (2,275) | 3,111,727 |
| Other comprehensive loss | - | - | - | - | - | - | (3,045,217) | - | (3,045,217) | - | (3,045,217) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | - | (3,045,217) | 3,114,002 | 68,785 | (2,275) | 66,510 |
| Cash dividends (Note 13) | - | - | - | - | - | - | - | (1,712,206) | (1,712,206) | - | (1,712,206) |
| Net movement in treasury shares | - | - | - | - | (229,706) | (82,690) | - | - | (312,396) | - | (312,396) |
| **As at 31 December 2022** | **17,710,846** | **8,781,109** | **4,000,000** | **764,895** | **(1,122,737)** | **223,066** | **4,563,238** | **3,825,624** | **38,746,041** | **(67,244)** | **38,678,797** |
| 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 loss | - | - | - | - | - | - | 2,771,565 | - | 2,771,565 | - | 2,771,565 |
| Total comprehensive (loss) income for the year | - | - | - | - | - | - | 2,771,565 | 2,343,147 | 5,114,712 | (22,970) | 5,091,742 |
| Bonus shares | - | - | - | - | 824,541 | (106,469) | - | (718,072) | - | - | - |
| Cash dividends | - | - | - | - | - | - | - | (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 |

The attached notes 1 to 25 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | *Notes* | ***2022 KD*** | *2021 KD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the year before contribution to KFAS, NLST and Zakat | | **3,290,326** | 2,453,492 |
| *Adjustments to reconcile profit before contribution to KFAS, NLST and Zakat for the year to net cash flows:* | | | |
| Unrealised loss (gain) of financial assets at fair value through profit or loss | 3 | **718,747** | (332,940) |
| Gain on sale of financial assets available for sale | 3 | **-** | (144,968) |
| Realized gain (loss) from sale of financial assets at fair value through profit or loss | 3 | **(83,880)** | 70,749 |
| Impairment loss on financial assets available for sale | 3 | **-** | 30,906 |
| Allowances for impairment for doubtful and bad debts | 9 | **752,321** | 700,000 |
| Dividend income | 3 | **(916,097)** | (657,740) |
| Interest income | 3 | **(566,079)** | (492,188) |
| Share of results of associates | 6 | **(461,398)** | (403,557) |
| Depreciation of property and equipment | 5 | **211,134** | 214,141 |
| Provision for employees' end of service benefits | | **289,193** | 261,945 |
| Gain from addition to investment in associate | 6 | **-** | (40,080) |
| Foreign currency exchange differences | | **(52,282)** | (15,815) |
| | | **3,181,985** | 1,643,945 |
| *Changes in operating assets and liabilities:* | | | |
| Reinsurance share in outstanding claims reserve | | **26,814,372** | 3,280,314 |
| Insurance and reinsurance receivables | | **(1,933,499)** | (68,354) |
| Other assets | | **(1,176,770)** | 15,916 |
| Insurance contract liabilities | | **(24,689,999)** | (2,891,285) |
| Insurance and reinsurance payables | | **1,230,091** | 847,106 |
| Other liabilities | | **878,186** | (1,016,441) |
| Cash flows from operations | | **4,304,366** | 1,811,201 |
| Employees' end of service benefits paid | | **(145,148)** | (176,867) |
| Net cash flows from operating activities | | **4,159,218** | 1,634,334 |
| **INVESTING ACTIVITIES** | | | |
| Net movement in fixed deposits | | **(1,317,955)** | 1,099,395 |
| Purchase of financial assets at fair value through profit or loss | | **(5,813,441)** | (4,983,589) |
| Purchase of financial assets available for sale | | **(33,941)** | (4,220,000) |
| Proceeds from sale of financial assets at fair value through profit or loss | | **2,893,198** | 4,917,019 |
| Dividends proceed from investment in associates | 6 | **179,900** | 128,500 |
| Proceeds from sale of financial assets available for sale | | **-** | 1,589,710 |
| Movement on loans secured by life insurance policies | | **5,216** | 4,630 |
| Purchase of property and equipment | 5 | **(280,712)** | (140,757) |
| Dividends received | | **916,097** | 679,518 |
| Interest income received | | **662,195** | 534,850 |
| Addition to investment in associate | 6 | **-** | (45,000) |
| Purchase of treasury shares | | **(3,347,091)** | (3,430,712) |
| Proceed from sale of treasury shares | | **3,034,694** | 3,236,575 |
| Net cash flows used in investing activities | | **(3,101,840)** | (629,861) |
| **FINANCING ACTIVITIES** | | | |
| Dividend paid | | **(1,649,722)** | (1,292,630) |
| Proceeds from long term loan | | **-** | 2,000,000 |
| Net cash flows (used in) from financing activities | | **(1,649,722)** | 707,370 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | **(592,344)** | 1,711,843 |
| Cash and cash equivalents as at 1 January | | **7,445,592** | 5,733,749 |
| **CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER** | 12 | **6,853,248** | 7,445,592 |

The attached notes 1 to 25 form part of these consolidated financial statements.

## 1 CORPORATE INFORMATION

The consolidated financial statement of Warba Insurance and Reinsurance Company K.S.C.P. (the “Parent Company”) (Formerly “Warba Insurance Company K.S.C.P.”) and its subsidiary – WAPMED TPA Services Company K.S.C.C. (collectively “the Group”) for the year ended 31 December 2022 were authorised for issuance with a resolution of the Board of Directors on 16 February 2023. 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’s commercial name was changed to Warba Insurance and Reinsurance Company K.S.C.P. and got approved by the Parent Company’s shareholders at the extraordinary general assembly meeting held on 13 March 2022.

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.

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 2022 (together referred to as “the Group") as follows:

| | **Incorporation country** | **Activity** | **Ownership (%) 31 December 2022** | Ownership (%) 31 December 2021 |
|---|---|---|---|---|
| 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 marketplace (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.

**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 consolidated statement of income net of any reimbursement.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue recognition**
*Gross premiums written*
Insurance premiums written 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 or . 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 received from intermediaries are recorded upon received and included in gross premium written.

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 unearned premium.

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 consolidated 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 2021, except for the adoption of new standards effective as of 1 January 2022. 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.

*Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

### 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.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**(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.

*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.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**(ii) Estimation and assumptions (continued)**

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.

*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**
A number of new standards, amendments to standard interpretations which are effective for annual periods beginning or after 1 January 2023 have not been early adopted in the preparation of the Group consolidated financial statements. None of these are expected to have a significant impact on the consolidated financial statements of the Group except for the followings:

*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.

## 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)**

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).

***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.<br>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.<br>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.<br>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.<br>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.<br>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.<br>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.

**Transition Impact**
Upon adoption of IFRS 17 and IFRS 9, the Group expects certain changes in classification of financial assets and financial liabilities and related reclassification between retained earnings and fair value reserve. The impact of the changes will affect the Group equity.

## 3 NET INVESTMENT INCOME / EXPENSE

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Dividend income | **916,097** | 657,740 |
| Interest income | **566,079** | 492,188 |
| Realized gain (loss) from financial assets at fair value through profit or loss | **83,880** | (70,749) |
| Gain on sale of financial assets available for sale | **-** | 144,968 |
| Impairment loss of financial assets available for sale (Note 7) | **-** | (30,906) |
| Unrealised (loss) gain of financial assets at fair value through profit or loss | **(718,747)** | 332,940 |
| | **847,309** | 1,526,181 |
| Investment expense | **(313,540)** | (191,396) |
| | **533,769** | 1,334,785 |

## 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:

| | ***2022*** | *2021* |
|---|---|---|
| Profit for the year attributable to equity holders of the parent company (KD) | **3,114,002** | 2,343,147 |
| Weighted average number of ordinary shares outstanding during the year (excluding treasury shares) (Shares) | **169,816,183** | 170,146,069 |
| Earnings per share | **18.34 Fils** | 13.77 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.

## 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 2022 | 8,625,006 | 759,022 | 1,789,924 | 256,249 | 11,430,201 |
| Additions | - | 123,636 | 21,634 | 135,442 | 280,712 |
| As at 31 December 2022 | 8,625,006 | 882,658 | 1,811,558 | 391,691 | 11,710,913 |
| Depreciation: | | | | | |
| As at 1 January 2022 | 1,930,456 | 609,529 | 1,654,824 | - | 4,194,809 |
| Charge for the year | 118,807 | 47,576 | 44,751 | - | 211,134 |
| As at 31 December 2022 | 2,049,263 | 657,105 | 1,699,575 | - | 4,405,943 |
| Net carrying amount: | | | | | |
| **As at 31 December 2022** | **6,575,743** | **225,553** | **111,983** | **391,691** | **7,304,970** |

**5 PROPERTY AND EQUIPMENT (continued)**

| | *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 with a net carrying value of KD 775,000 (2021: KD 1,189,895) are under lien to the Insurance Regulation Unit.

**6 INVESTMENT IN ASSOCIATES**

The Group has the following investment in associates:

| | *Ownership percentage* | | *Country of incorporation* | ***2022 KD*** | *2021 KD* |
|---|---|---|---|---|---|
| | ***2022*** | *2021* | | | |
| KIB Takaful Insurance Company K.S.C.C. | **25.70%** | 25.70% | Kuwait | **3,693,448** | 3,739,923 |
| Partners Properties Company – WLL. | **40.50%** | 40.50% | Kuwait | **4,637,348** | 4,336,867 |
| | | | | **8,330,796** | 8,076,790 |

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

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Carrying value as at 1 January | **8,076,790** | 7,683,578 |
| Addition to investment in associate | - | 45,000 |
| Gain from addition to investment in associate | - | 40,080 |
| Share of results of associates | **461,398** | 403,557 |
| Share of other comprehensive income | **(27,492)** | 33,075 |
| Dividends | **(179,900)** | (128,500) |
| Carrying value as at 31 December | **8,330,796** | 8,076,790 |

**6 INVESTMENT IN ASSOCIATES (continued)**

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.**

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Current assets | **7,123,818** | 8,556,096 |
| Non- current assets | **8,430,704** | 7,125,644 |
| Current liabilities | **(383,130)** | (321,538) |
| Non-Current liabilities | **(800,000)** | (807,974) |
| Equity | **14,371,392** | 14,552,228 |
| Revenue | **706,555** | 810,704 |
| Profit for the year | **626,140** | 764,837 |
| Other comprehensive income for the year | **(106,973)** | 128,696 |
| Total comprehensive income for the year | **519,167** | 893,533 |

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.

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Net assets of the associate | **14,371,392** | 14,552,228 |
| Proportion of the Group's ownership interest | **25.7%** | 25.7% |
| Carrying amount of the Group's interest | **3,693,448** | 3,739,923 |

**Partners Properties Company – W.L.L.**

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Current assets | **802,732** | 672,138 |
| Non- current assets | **11,400,000** | 11,100,000 |
| Current liabilities | **(752,491)** | (1,063,824) |
| Equity | **11,450,241** | 10,708,314 |
| Revenue | **945,867** | 640,972 |
| Profit for the year | **741,927** | 511,097 |

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.

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Net assets of the associate | **11,450,241** | 10,708,314 |
| Proportion of the Group's ownership interest | **40.5%** | 40.5% |
| Carrying amount of the Group's interest | **4,637,348** | 4,336,867 |

## 7 FINANCIAL ASSETS AVAILABLE FOR SALE

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Quoted securities * | **12,297,580** | 14,544,485 |
| Unquoted securities ** | **603,569** | 923,118 |
| Investment in bonds *** | **8,895,323** | 9,260,371 |
| | **21,796,472** | 24,727,974 |

Investments available for sale are denominated in the following currencies:

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Local currency (KD) | **12,908,918** | 13,850,496 |
| Foreign currencies | **8,887,554** | 10,877,478 |
| | **21,796,472** | 24,727,974 |

*As at 31 December 2022, 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 1,993,118 (2021: KD 2,142,504) are under lien to the Insurance Regulation Unit.

** Unquoted equity securities amounting KD 603,569 (2021: KD 923,118) (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 Nil (2021: KD 30,906) has been recorded in the consolidated statement of income for the year ended 31 December 2022 (Note 3).

*** Bonds carry interest rate ranging from 3.63% to 5.75% per annum (2021: 3.63% to 5.75%), mature in 10 years. Bonds amounting KD 5,300,000 (2021: KD 5,300,000) are carried at cost less impairment loss since their fair values cannot be reliably determined.

Certain bonds with carrying amount of KD 4,600,000 (2021: KD 4,600,000) are pledged against borrowings.

## 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Quoted shares | **2,130,762** | 1,196,436 |
| Investments in fund | **1,412,696** | 1,390,834 |
| Investments in portfolio | **8,030,685** | 6,701,497 |
| | **11,574,143** | 9,288,767 |

## 9 INSURANCE AND REINSURANCE RECEIVABLES

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Premiums receivable | **10,103,519** | 8,515,113 |
| Insurance and reinsurance companies | **8,589,810** | 8,128,314 |
| | **18,693,329** | 16,643,427 |
| Less: Allowances for impairment of receivables | **(5,452,321)** | (4,700,000) |
| | **13,241,008** | 11,943,427 |
| Reinsurance share on premiums received in advance | **36,557** | 152,960 |
| | **13,277,565** | 12,096,387 |

As at 31 December 2022, insurance and reinsurance receivables amounting to KD 5,452,321 (2021: KD 4,700,000) were impaired and fully provided for.

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

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| As at the beginning of the year | **4,700,000** | 4,000,000 |
| Charge for the year | **752,321** | 700,000 |
| As at the end of the year | **5,452,321** | 4,700,000 |

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* |
| **2022** | **13,241,008** | **1,593,879** | **3,999,739** | **7,647,390** |
| 2021 | 11,943,427 | 3,938,035 | 2,042,776 | 5,962,616 |

## 10 OTHER ASSETS

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Due from related parties (Note 20) | **5,938,283** | 5,096,056 |
| Due from staff | **41,619** | 36,724 |
| Deferred acquisition cost | **818,768** | 619,408 |
| Accrued income | **267,865** | 329,869 |
| Prepaid expenses | **259,847** | 173,049 |
| Refundable deposit | **13,180** | 12,180 |
| Others | **362,096** | 353,719 |
| | **7,701,658** | 6,621,005 |

## 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 1,800,000 held in State of Kuwait under lien to the Insurance Regulation Unit in accordance with insurance regulations of State of Kuwait (31 December 2021: KD 5,186,020).

The effective interest rate on fixed deposits was 5.190% to 5.70% per annum (31 December 2021: 1.50% to 3.25%).

The Insurance law No. 125 of 2019, 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, KD 500,000 for life insurance and KD 1,000,000 for reinsurance.

## 12 CASH AND CASH EQUIVALENTS

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Cash on hand | **25,194** | 13,461 |
| Cash in portfolio | **180,447** | 319,937 |
| Short term deposits (Maturity within 3 months ending period) | **1,800,000** | 301,485 |
| Bank balances | **4,847,607** | 6,810,709 |
| Cash and cash equivalents | **6,853,248** | 7,445,592 |

The effective interest rate on short term deposits was 2.125% per annum (31 December 2021: 3.25%).

## 13 SHARE CAPITAL AND CASH DIVIDENDS

The issued and fully paid-up share capital comprises of 177,108,460 shares of 100 fils each (2021: 177,108,460 shares of 100 fils each) fully paid up in cash.

On 13 March 2022, the Parent Company held an Extraordinary General Assembly Meeting of the shareholders and approved to increase the authorized capital to be KD 25,000,000 from KD 17,710,846. As at 31 December 2022, the authorized share capital amounted to KD 25,000,000.

**Cash dividend and bonus shares**
The Board of Directors' meeting held on 16 February 2023 recommended to distribute cash dividends of 8% for the year ended 31 December 2022 (2021: 10%), in addition to bonus shares of 41.16% (2021: KD Nil) of the fully paid-up share capital using the general reserve, voluntary reserve and retained earnings as at 31 December 2022. 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 17 April 2022 approved the consolidated financial statements for the year ended 31 December 2021 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

| | ***2022*** | *2021* |
|---|---|---|
| Number of shares | **7,605,402** | 5,795,002 |
| Percentage of issued shares (%) | **4.29** | 3.27 |
| Market value (KD) | **981,097** | 869,250 |

An amount of KD 1,122,737 (31 December 2021: KD 893,031) 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 2022 was 133 fils per share (31 December 2021: 139 fils per share).

## 16 INSURANCE CONTRACT LIABILITIES

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Reserve for outstanding claims | **25,777,296** | 52,124,946 |
| Reserve for unearned premiums | **6,973,707** | 5,151,039 |
| Reserve for life mathematical | **1,889,405** | 2,027,587 |
| Unearned reinsurance commission | **333,492** | 360,327 |
| | **34,973,900** | 59,663,899 |

**16 INSURANCE CONTRACT LIABILITIES (continued)**

The reserve for outstanding claims comprises of:

| | *General risk insurance* | | | | |
|---|---|---|---|---|---|
| **2022** | *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 | **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) |
| **Net balance at beginning of the year** | **192,039** | **3,469,516** | **1,207,293** | **5,067,160** | **9,936,008** |
| Incurred during the year, net | (9,138) | 4,135,817 | 409,958 | 8,183,839 | 12,720,476 |
| Paid during the year, net | 1,630 | (4,817,957) | (354,808) | (7,082,619) | (12,253,754) |
| **Net balance at end of the year** | **184,531** | **2,787,376** | **1,262,443** | **6,168,380** | **10,402,730** |
| Represented by: | | | | | |
| Gross outstanding claims at end of the year | 722,025 | 3,470,857 | 11,613,607 | 9,970,807 | 25,777,296 |
| Reinsurance share | (537,494) | (683,481) | (10,351,164) | (3,802,427) | (15,374,566) |
| | **184,531** | **2,787,376** | **1,262,443** | **6,168,380** | **10,402,730** |
| **Reserve for unearned premiums** | **49,070** | **2,553,771** | **405,509** | **3,965,357** | **6,973,707** |
| **Unearned reinsurance commission** | **39,007** | **1,608** | **182,825** | **110,052** | **333,492** |

## 16 INSURANCE CONTRACT LIABILITIES (continued)

| | *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 unearned premiums | 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 |

## 17 INSURANCE AND REINSURANCE PAYABLES

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Trade payables | **4,291,292** | 3,611,870 |
| Premiums received in advance | **734,643** | 554,265 |
| Insurance and reinsurance companies | **4,858,048** | 4,594,755 |
| Reserve for reinsurance operations | **719,457** | 697,198 |
| Provision for supervision fees | **267,969** | 183,230 |
| | **10,871,409** | 9,641,318 |

## 18 OTHER LIABILITIES

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Due to related parties (Note 20) | **770,599** | 733,595 |
| Provision for end of service indemnity | **1,868,039** | 1,723,994 |
| Dividends payable | **1,277,846** | 1,216,519 |
| Accrued staff leave | **345,888** | 366,012 |
| Accrued expenses | **836,213** | 884,084 |
| Considerations payable for investments acquired | **4,793,705** | 3,840,259 |
| Other liabilities | **620,869** | 485,384 |
| | **10,513,159** | 9,249,847 |

## 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, General Accidents, Motor and Fire.

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 2022** | *Marine and aviation KD* | *General accidents and fire KD* | *Motor KD* | *Total general risk insurance KD* | *Life and medical insurance KD* | *Investments* | *Unallocated KD* | *Total KD* |
| Revenue: | | | | | | | | |
| Gross premiums written | 1,573,673 | 13,198,666 | 8,817,873 | 23,590,212 | 17,277,629 | - | - | **40,867,841** |
| Premiums ceded to reinsurers | (1,381,991) | (11,818,195) | (1,401,708) | (14,601,894) | (3,741,218) | - | - | **(18,343,112)** |
| Net premiums written | 191,682 | 1,380,471 | 7,416,165 | 8,988,318 | 13,536,411 | - | - | **22,524,729** |
| Movement in unearned premiums | (18,731) | (17,395) | (288,280) | (324,406) | (1,498,262) | - | - | **(1,822,668)** |
| Movement in life mathematical reserve | - | - | - | - | 138,182 | - | - | **138,182** |
| Net premiums earned | 172,951 | 1,363,076 | 7,127,885 | 8,663,912 | 12,176,331 | - | - | **20,840,243** |
| Commission income earned on ceded reinsurance | 271,124 | 907,155 | 3,549 | 1,181,828 | 332,329 | - | - | **1,514,157** |
| Policy issuance fees | 2,856 | 1,066 | 69,300 | 73,222 | 20,576 | - | - | **93,798** |
| Total revenues | 446,931 | 2,271,297 | 7,200,734 | 9,918,962 | 12,529,236 | - | - | **22,448,198** |
| Expenses: | | | | | | | | |
| Net claims incurred | 9,138 | (409,957) | (4,135,818) | (4,536,637) | (8,183,839) | - | - | **(12,720,476)** |
| Commissions and premiums' acquisition costs | (74,808) | (195,586) | (725,070) | (995,464) | (1,088,484) | - | - | **(2,083,948)** |
| Operating and administrative expenses for insurance business | (105,420) | (909,659) | (1,443,565) | (2,458,644) | (1,062,246) | - | - | **(3,520,890)** |
| Total expenses | (171,090) | (1,515,202) | (6,304,453) | (7,990,745) | (10,334,569) | - | - | **(18,325,314)** |
| Net underwriting results | 275,841 | 756,095 | 896,281 | 1,928,217 | 2,194,667 | - | - | **4,122,884** |
| Net investment income / expense | | | | | | 533,769 | - | **533,769** |
| Unallocated operating and administrative expenses | | | | | | - | (1,131,595) | **(1,131,595)** |
| Share of results of associates | | | | | | 461,398 | - | **461,398** |
| Other income and foreign currency exchange differences | | | | | | (23,313) | 77,307 | **53,994** |
| Other Insurance service expense | | | | | | (569,307) | - | **(569,307)** |
| Other Insurance service income | | | | | | 571,504 | - | **571,504** |
| Other administrative expenses, contribution to KFAS, NLST and Zakat | | | | | | - | (930,920) | **(930,920)** |
| Profit for the year | | | | | | 974,051 | (1,985,208) | **3,111,727** |

**19 SEGMENT INFORMATION (continued)**

**(A) Segment information – Consolidated statement of income (continued)**

| | *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* | *Investments* | *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 | | | | | | 130,581 | 12,093 | 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 | | | | | | 1,753,882 | (1,777,448) | 2,320,177 |

## 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 2022*** | | | | |
| **Assets** | **51,717,702** | **5,618,152** | **41,701,411** | **99,037,265** |
| **Liabilities** | **50,889,238** | **675,525** | **8,793,705** | **60,358,468** |
| *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 |

## 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 2022 KD*** | *Total 2021 KD* |
|---|---|---|---|---|
| **Investment activities** | | | | |
| Investments at fair value through profit or loss | **-** | **8,059,282** | **8,059,282** | 7,854,529 |
| Investments available for sale | **-** | **7,610,154** | **7,610,154** | 8,553,213 |
| Investments in associates | **-** | **8,330,796** | **8,330,796** | 8,076,790 |
| Fixed deposits | **-** | **1,800,000** | **1,800,000** | 5,171,800 |
| Cash and cash equivalents | **-** | **3,464,888** | **3,464,888** | 3,391,766 |
| Other liabilities | **-** | **4,793,705** | **4,793,705** | 3,840,259 |
| **Insurance activities** | | | | |
| Insurance services receivable (Note 10) | **-** | **5,938,283** | **5,938,283** | 5,096,056 |
| Insurance services payable (Note 18) | **7,442** | **763,157** | **770,599** | 733,595 |

Transactions included in the consolidated statement of income:

| | ***Parent Company's shareholders KD*** | ***Entities under common control KD*** | ***Total 2022 KD*** | *Total 2021 KD* |
|---|---|---|---|---|
| Premiums written | **24,570** | **1,622,405** | **1,646,975** | 1,417,183 |
| Dividend income | **-** | **475,995** | **475,995** | 428,945 |
| Share of results of associates | **-** | **461,398** | **461,398** | 403,557 |

| **Compensation to key management personnel:** | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Salaries and short term employee benefits | **829,205** | 861,432 |
| Employees end of service benefits | **72,812** | 68,196 |
| | **902,017** | 929,628 |

## 21 CAPITAL COMMITMENTS AND CONTINGENCIES

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Letters of guarantee | **2,780,338** | 6,349,293 |
| Capital commitments | **6,480** | 6,480 |

Letters of guarantee include an amount of KD 1,427,180 held in State of Kuwait under lien to the Insurance Regulation Unit in accordance with insurance regulations of State of Kuwait (31 December 2021: KD Nil).

The Group is subject to litigation in the normal course of its business. The Group based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's consolidated statement of income or the consolidated statement of financial position.

## 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 500,000 (2021: KD 1,809,870) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Deposits and investment amounting to KD 500,000 (2021: KD 2,949,708) have been deposited with a Kuwaiti bank in respect of the Parent Company’s right to transact life assurance business;
(c) Deposits and investment amounting to KD 1,000,000 (2021: KD Nil) have been deposited with a Kuwaiti bank in respect of the Parent Company’s right to transact reinsurance business;
As of the reporting date, the Parent Company calculated the amounts are held in Kuwait in accordance with the new law.

## 23 RISK MANAGEMENT

### (a) Governance framework

The Group’s Governance Risk and Compliance 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. and analyse the nature and extent of risks encountered by the Group's activities, to assess of the environmental, social, and governance sustainability risks, in order to mitigate, avoid, and prevent those Risks. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established The Governance Risk and Compliance function since 2013 with clear terms of reference from the Group’s Board of Directors, and its committees . This 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, internal control, business continuity and business conduct standards for the Group’s operations at the highest-level of quality control and to monitor the soundness of financial statements and the efficiency of the Group activities and evaluate the extent of commitment to supervisory controls.

### (b) Regulatory framework

Law No. 125 of 2019, and its Executive by law, and the rules, Decisions, Circulars and regulations issued by the Insurance Regulatory Unit (IRU) 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 all applicable regulations in the state of Kuwait and has delegated authorities and responsibilities from the board of directors to ensure that the Group is fully complied with the regulations.

### (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 2022*** **Type of contract** | ***Gross liabilities KD*** | ***Reinsurers' share of liabilities KD*** | ***Net liabilities KD*** |
|---|---|---|---|
| Term insurance | **271,333** | **(270,408)** | **925** |
| Life and disability | **1,197** | **(879)** | **318** |
| Medical | **9,068,273** | **(1,087,366)** | **7,980,907** |
| Endowment individual policies | **1,956,485** | **(34,217)** | **1,922,268** |
| Pensions (individual policies) | **6,639** | **(419)** | **6,220** |
| Group Life | **5,704,530** | **(3,592,026)** | **2,112,504** |
| **Total life insurance contracts** | **17,008,457** | **(4,985,315)** | **12,023,142** |
| **Individual life insurance contracts liabilities** | **2,235,654** | **(305,923)** | **1,929,731** |
| **Group life and medical insurance contracts liabilities** | **14,772,803** | **(4,679,392)** | **10,093,411** |

**23 RISK MANAGEMENT (continued)**

**(c) Insurance risk (continued)**

**(1) Life insurance contracts (continued)**

| *31 December 2021*<br>Type of contract | *Gross liabilities*<br>*KD* | *Reinsurers' share of liabilities*<br>*KD* | *Net liabilities*<br>*KD* |
|---|---|---|---|
| Term insurance | 251,205 | (250,334) | 871 |
| Life and disability | 3,652 | (2,466) | 1,186 |
| 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 | 14,743,799 | (5,181,957) | 9,561,842 |
| Individual life insurance contracts liabilities | 2,356,498 | (289,800) | 2,066,698 |
| Group life and medical insurance contracts liabilities | 12,387,301 | (4,892,157) | 7,495,144 |

***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* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ***2022*** | *2021* | ***2022*** | *2021* | ***2022*** | *2021* | ***2022*** | *2021* | ***2022*** | *2021* | ***2022*** | *2021* |
| *Investment contracts:* | | | | | | | | | | | | |
| With fixed and guaranteed terms | **40% AM/80 Ult** | 40% AM/80 Ult | **4.00%** | 2.75% | **0%** | 0% | **4.00%** | 2.75% | **5%** | 5% | **N/A** | N/A |
| Non-guaranteed terms | **40% AM/80 Ult** | 40% AM/80 Ult | **4.00%** | 2.75% | **0%** | 0% | **4.00%** | 2.75% | **5%** | 5% | **N/A** | N/A |
| *Life term assurance:* | | | | | | | | | | | | |
| Males | **40% AM/80 Ult** | 40% AM/80 Ult | **4.00%** | 2.75% | **0%** | 0% | **4.00%** | 2.75% | **5%** | 5% | **N/A** | N/A |
| Females | **40% AM/80 Ult** | 40% AM/80 Ult | **4.00%** | 2.75% | **0%** | 0% | **4.00%** | 2.75% | **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 2022***

| | *2014 KD* | *2015 KD* | *2016 KD* | *2017 KD* | *2018 KD* | *2019 KD* | *2020 KD* | *2021 KD* | ***2022 KD*** | ***Total KD*** |
|---|---|---|---|---|---|---|---|---|---|---|
| Current estimate of cumulative claims incurred | 17,235,266 | 15,966,666 | 13,912,575 | 13,059,575 | 25,083,082 | 11,668,240 | 12,253,365 | 16,380,007 | 18,988,401 | 144,547,177 |
| 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 | 6,593,045 | 6,557,019 | - |
| One year later | 12,846,539 | 12,818,915 | 11,972,997 | 9,166,855 | 12,455,178 | 8,841,304 | 9,491,343 | 12,809,043 | - | - |
| Two years later | 13,513,397 | 14,170,444 | 12,448,984 | 11,717,075 | 16,564,717 | 9,661,036 | 10,514,596 | - | - | - |
| Three years later | 13,421,854 | 14,307,282 | 13,122,255 | 11,944,269 | 18,673,669 | 10,044,130 | - | - | - | - |
| Four years later | 13,538,187 | 14,875,322 | 13,003,671 | 12,194,188 | 24,073,150 | - | - | - | - | - |
| Five years later | 13,679,676 | 15,221,986 | 13,128,489 | 12,249,715 | - | - | - | - | - | - |
| Six years later | 13,768,532 | 15,485,275 | 13,182,363 | - | - | - | - | - | - | - |
| Seven years later | 13,815,688 | 15,532,734 | - | - | - | - | - | - | - | - |
| Eight years later | 13,807,131 | - | - | - | - | - | - | - | - | - |
| Cumulative payment to date | **13,807,131** | **15,532,734** | **13,182,363** | **12,249,715** | **24,073,150** | **10,044,130** | **10,514,596** | **12,809,043** | **6,557,019** | **118,769,881** |
| Gross outstanding claims and IBNR at 31 December 2022 (Note 16) | **3,428,135** | **433,932** | **730,212** | **809,860** | **1,009,932** | **1,624,110** | **1,738,769** | **3,570,964** | **12,431,382** | **25,777,296** |

**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 (Note 16) | 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)**

The table below sets out the concentration of non-life insurance contracts liabilities by type of contract:

| *31 December 2022* | *Gross liabilities KD* | *Reinsurers' share of liabilities KD* | *Net liabilities KD* |
|---|---|---|---|
| Motor | **6,026,236** | **(683,481)** | **5,342,755** |
| Marine and Aviation | **810,102** | **(537,494)** | **272,608** |
| Fire and general Accident | **12,201,941** | **(10,351,164)** | **1,850,777** |
| **Total** | **19,038,279** | **(11,572,139)** | **7,466,140** |
| *31 December 2021* | | | |
| Motor | 6,435,084 | (698,938) | 5,736,146 |
| Marine and Aviation | 765,469 | (505,472) | 259,997 |
| Fire and general Accident | 38,944,264 | (37,130,852) | 1,813,412 |
| Total | 46,144,817 | (38,335,262) | 7,809,555 |

***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 2022* | *Change in Assumption %* | *Impact on gross liabilities KD* | *Impact on net liabilities KD* | *Impact on profit KD* |
|---|---|---|---|---|
| Ultimate Loss Ratio Increase | **2** | **380,766** | **149,323** | **149,323** |
| *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 | 922,896 | 156,191 | 156,191 |

**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 2022* | | | |
|---|---|---|---|---|
| **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 | **2,644,150** | **2,221,040** | **1,962,864** | **6,828,054** |
| Fixed deposits | **2,770,575** | **2,684,506** | **1,351,694** | **6,806,775** |
| Financial assets available for sale – bonds | **2,933,502** | **3,557,861** | **2,403,960** | **8,895,323** |
| Financial assets at fair value through profit or loss – bonds | **3,051,660** | **2,971,354** | **2,007,671** | **8,030,685** |
| Insurance and reinsurance receivable | **5,045,475** | **4,912,699** | **3,319,391** | **13,277,565** |
| Other assets - excluding prepayments | **2,810,985** | **2,763,557** | **1,867,269** | **7,441,811** |
| Loans secured by life insurance policies | **6,203** | **6,486** | **4,383** | **17,072** |
| Reinsurance share in reserve for outstanding claims | **5,842,032** | **5,688,893** | **3,843,641** | **15,374,566** |
| Total credit risk exposure | **25,104,582** | **24,806,396** | **16,760,873** | **66,671,851** |

| | *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 |

**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 2022*** | | | | |
| Cash and cash equivalents - excluding cash on hand | **6,828,054** | **-** | **-** | **6,828,054** |
| Fixed deposits | **6,806,775** | **-** | **-** | **6,806,775** |
| Financial assets available for sale – bonds | **-** | **7,519,963** | **1,375,360** | **8,895,323** |
| Financial assets at fair value through profit or loss – bonds | **-** | **-** | **8,030,685** | **8,030,685** |
| Insurance and reinsurance receivable | **10,622,052** | **2,655,513** | | **13,277,565** |
| Other assets - excluding prepayments | **-** | **-** | **7,441,811** | **7,441,811** |
| Loans secured by life insurance policies | **17,072** | **-** | **-** | **17,072** |
| Reinsurance share in reserve for outstanding claims | **12,299,653** | **3,074,913** | **-** | **15,374,566** |
| Total credit risk exposure | **36,573,606** | **13,250,389** | **16,847,856** | **66,671,851** |

| 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 |

**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 2022** | ***Within 1 year***<br>***KD*** | ***More than 1 year***<br>***KD*** | ***Total***<br>***KD*** |
|---|---|---|---|
| Insurance and reinsurance payables | **10,085,259** | **786,150** | **10,871,409** |
| Other liabilities | **8,645,120** | **1,868,039** | **10,513,159** |
| Long Term Loan | **-** | **4,018,000** | **4,018,000** |
| | **18,730,379** | **6,672,189** | **25,402,568** |

| 31 December 2021 | *Within 1 year*<br>*KD* | *More than 1 year*<br>*KD* | *Total*<br>*KD* |
|---|---|---|---|
| Insurance and reinsurance payables | 8,944,120 | 697,198 | 9,641,318 |
| Other liabilities | 7,525,853 | 1,723,994 | 9,249,847 |
| Long Term Loan | - | 4,000,000 | 4,000,000 |
| | 16,469,973 | 6,421,192 | 22,891,165 |

***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.

| | | **2022** | | 2021 | |
|---|---|---|---|---|---|
| | *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 | **161,849** | **179,770** | 143,062 | 198,019 |
| BHD | ±5 | **-** | **264,550** | - | 345,720 |

***(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 2022 and 2021.

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 on profit for the year*** | | ***Impact on other comprehensive income*** | |
|---|---|---|---|---|
| ***Market indices*** | ***2022 KD*** | *2021 KD* | ***2022 KD*** | *2021 KD* |
| Kuwait | **175,743** | 71,712 | **350,271** | 381,369 |
| Other countries | **1,430** | - | **264,608** | 345,855 |

## 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.

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Liabilities arising from insurance contracts | **34,973,900** | 59,663,899 |
| Insurance and reinsurance payables | **10,871,409** | 9,641,318 |
| Other liabilities | **10,513,159** | 9,249,847 |
| Long term loan | **4,000,000** | 4,000,000 |
| Less: | | |
| Cash and cash equivalents | **(6,853,248)** | (7,445,592) |
| **Net debt** | **53,505,220** | 75,109,472 |
| Total capital | **38,678,797** | 40,636,889 |
| **Total capital and net debt** | **92,184,017** | 115,746,361 |
| Gearing ratio | **58 %** | 65 % |

## 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 (2021: KD 5,300,000) (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 2022** | ***Quoted prices in active markets (Level 1)*** | ***Significant observable inputs (Level 2)*** | ***Significant unobservable inputs (Level 3)*** | ***Total fair value*** |
|---|---|---|---|---|
| | ***KD*** | ***KD*** | ***KD*** | ***KD*** |
| Financial assets at fair value though profit or loss | **10,394,408** | **1,179,735** | **-** | **11,574,143** |
| Financial assets available for sale | **12,297,580** | **3,595,323** | **603,569** | **16,496,472** |
| **Total** | **22,691,988** | **4,775,058** | **603,569** | **28,070,615** |

**25 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

| 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 |

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 80 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 60 thousands. |

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

| **2022** | ***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:* | **923,118** | **(319,549)** | **-** | **603,569** |
| | **923,118** | **(319,549)** | **-** | **603,569** |

| 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 |