45 ANNUAL REPORT

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

WARBA INSURANCE & REINSURANCE
وربة للتأمين وإعادة التأمين

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H.H. Sheikh Meshal AL-Ahmad Al-Jaber Al-Sabah
Amir Of The State Of Kuwait

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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.K.P.)

For the Fiscal Year Ending in 31 December 2023

AGENDA

1) Discussing and approving the Board of Directors' report on the company's activities and financial position for the fiscal year ending on December 31, 2023.
2) Recitation of the Corporate Governance Report and the Audit Committee Report for the fiscal year ending on December 31, 2023, and their approval.
3) Discussing the report of the external auditors for the fiscal year ending on December 31, 2023, and approving it.
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 31, 2023.
5) Review any violations monitored by the regulatory authorities for the fiscal year ending on December 31, 2023 (if any).
6) Approving and approving the final financial statements and the balance sheet for the fiscal year ending on December 31, 2023.
7) Discussing and approving the internal control report for the fiscal year ending on December 31, 2023.
8) Approval of the Board of Directors' recommendation to distribute cash dividends to shareholders at the rate of 10% (Ten percent) of the nominal value of the share, at the rate of ten fils (10 fils) per share, after deducting the treasury shares, for the year The fiscal year ending on 31ST December 2023, for the shareholders registered in the company's records at the end of the maturity date specified on (fifteen days after the assembly convening), provided that the distribution of these profits to the shareholders entitled to them starts from (five working days from the maturity date). and authorizing the Board of directors to dispose of the fractions of shares resulting from this distribution, after obtaining the necessary approvals from the regulatory authorities, and authorizing the Board of Directors to dispose of the fractions of shares resulting from this distribution. Management may adjust the schedule for stock entitlements if necessary.
9) Approval of the Board of Directors' recommendation to distribute free bonus shares at 2% (two percent) of the treasury shares for every (100) shares of the company's stock for the financial year ending on December 31, 2023, for the shareholders registered in the company's records at the end of the maturity date specified on (fifteen days after the assembly convening), after the date of the Ordinary General Assembly, provided that the start of the Distribution to those entitled to it after five working days from the end of the entitlement day, without resulting an increase in capital or an increase in the number of issued shares, and authorizing the Board of Directors to dispose of the fractions of shares resulting from this distribution, after obtaining the necessary approvals from the regulatory authorities, and authorizing the Board of Directors to dispose of the fractions of shares resulting from this distribution. Management may adjust the schedule for stock entitlements if necessary.
10) Discussing transfer, the amount of amount 732,066 KWD "Seven hundred thirty-two thousand and sixty-six Kuwaiti dinar" which is 10% (ten percent) of the net profit before deducting the KFAS, Taxation of Kuwait labor contribution, Zakat and Board of directors' fees and incentives and transfer the amount to the statutory provision.
11) Approving the Board of Directors' recommendation to pay bonuses to the members of the Board of Directors in the amount of (225,000) KD and including it 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, 2023, and its approval.
12) The discharge of the gentlemen / members of the Board of Directors for all related to their legal, financial and administrative actions for the fiscal year ending on December 31, 2023, and its approval.
13) Authorizing the Board of Directors to buy or sell the company's shares 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 and approving it.
14) Reviewing the transactions that took place with the related parties for the fiscal year ending on December 31, 2023, and authorizing the Board of Directors to deal with related parties that will take place during the fiscal year ending on December 31, 2024, and approving it.
15) Approval of authorizing the Board of Directors to conclude all necessary agreements with the local and foreign banks and institutions in order to finance the company's operations, deal with local and foreign banks and financial institutions, and conclude financing contracts.
16) Approval to authorize the Board of Directors to issue bonds (whether directly or indirectly and by any nature or means) in the Kuwaiti dinar or in any other currency that it may deem appropriate within the limits permitted by the law and granting the Board of Directors without limitation or limitation the authority to work with all authorities to determine the amount. The type, duration, nominal value of these bonds, interest rate, payment terms, and all other conditions are in accordance with the provisions of Law No. (7) of 2010 and its executive regulations (and their amendments), after obtaining the approval of all relevant competent authorities.
17) Appointing or re-appointing auditors from within 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 their fees and approval on it.

Anwar Jawad Bukhamseen
Chairman of Board of Directors

WARBA INSURANCE BOARD OF DIRECTORS

AS OF 31 DECEMBER 2023

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 financial year ending

December 2023 ,31

Speech of the Chairman of the Board of Directors

Dear shareholders,

May the peace, blessings, and mercy of Allah be upon you

On my own behalf and on behalf of my brothers, members of the Board of Directors and Executive Management of Warba Insurance and Reinsurance Company, I extend an exceptional welcome to you, surrounded by appreciation, respect and pride, to our annual meeting, during the company's forty-fifth general assembly meeting. As this year's meeting is exceptional at various levels, your precious and invaluable trust in our leadership of the company over the past years and until now has yielded results, years during which we have lived through the difficulties of the stages of development, transformation and prosperity, to reflect to us the bright and bright image of the company, which could not have been achieved. Without your support, trust and perseverance with us, it will be a modern company armed with all the requirements of the current era and ready to keep pace with the changes, and carrying within it and within its sides and corridors the originality and heritage of beloved Kuwait, which will always remain the goal and purpose, and the fruits of goodness that return to its economy, its society and its great people.

The Kuwaiti economy during 2023

A year of mixed signals and cautious optimism, 2023 has proven to be a transitional period for the Kuwaiti economy. While the country has rebounded from the significant rise in global oil prices, the country has also faced ongoing challenges related to diversification and long-term sustainability. Undoubtedly, the economic hallmark of 2023 has been rising global oil prices, with geopolitical tensions and supply chain disruptions pushing the average price of a barrel of Kuwaiti crude oil to a commendable level of US$80. These windfalls have translated into a much-needed boost to government coffers, which have historically relied on oil and gas revenues.

Despite the rise in oil prices, positive developments were observed in non-oil sectors. Increased government investments in infrastructure projects, along with efforts to improve the business environment, have stimulated growth in these areas. However, the year was not without setbacks, as the global inflationary wave led to a rise in the prices of basic commodities such as food and energy, and while the government implemented measures to mitigate the impact of inflation on citizens, inflation became a growing concern. Aware of the volatility of oil prices, the Kuwaiti government has taken broad steps towards consolidating public finances, including prioritizing spending on key sectors such as health care and education while aiming to reduce the budget deficit.

Kuwait's economic outlook in 2024 remains cautiously optimistic, with several key factors shaping its path, including the path of oil prices, where the future path of oil prices will be a decisive factor. While some forecasts expect prices to continue to rise due to geopolitical instability, others expect the other is a possible correction, and the economic performance in Kuwait will be greatly affected by this factor.

Continued efforts towards economic diversification will be essential, by encouraging foreign investment, promoting innovation, and developing non-oil sectors such as tourism and manufacturing, all of which are critical to achieving long-term growth, and the government may consider providing targeted support and fiscal discipline to ease inflationary pressures. Without hindering economic activity.

The Kuwaiti economy in 2023 witnessed a mixed set of results. While oil price gains provided a temporary boost, the need for diversification and long-term economic sustainability remains paramount. As Kuwait enters 2024, overcoming uncertainties... Global certainty and effectively dealing with key challenges will be crucial to ensuring a more resilient and dynamic economy.

The insurance industry in 2023 In 2023

The global insurance industry faced a set of challenges and opportunities, which led to significant changes in the way insurance companies operate, and imposed the imperative to adapt as global economic growth slowed in 2023, which affected the demand for insurance. As household budgets tightened, some consumers chose to reduce unnecessary insurance coverage, and rising inflation increased costs for insurers, including claims settlements and reinsurance premiums, shrinking profit margins and forcing insurers to reassess Pricing strategies: The increasing frequency and severity of natural disasters due to climate change has led to higher claims payments, which has led to pressure on the profitability of insurance companies.

Insurtech companies have continued to disrupt the industry through innovative solutions in areas such as data analytics, automated underwriting, and customer service. Traditional insurance companies have increasingly collaborated with insurance tech companies or developed their own digital capabilities to remain competitive.

Insurance companies use big data analytics to customize risk assessments, improve pricing models, and identify fraud The introduction of the new accounting standard, IFRS 17, in January 2023, has significantly impacted how insurance companies report their financial performance, and has required significant investments in technology and processes.

Developed markets such as North America and Europe have seen a slowdown in insurance premium growth, with insurers focusing on profitability and risk management, while emerging markets such as Asia have shown greater resilience, with continued growth in insurance penetration, driven by rising disposable income and increased Insurance awareness...

Expectations for the global insurance sector in 2024 are:

• Focus on flexibility and innovation, as insurance companies focus on risk management strategies to mitigate the impact of inflation, climate change, and economic slowdown.

• Customer Focus: Making the personalized customer experience more important to attract and retain policyholders

• Digital transformation: Insurance companies continue to invest in digital technology to improve operations and provide innovative insurance products.

• Integrating sustainability: Increasingly integrating sustainability considerations into investment strategies and insurance offerings as environmental, social and governance (ESG) factors become increasingly important.

In 2023, the global insurance industry will witness a period of significant adjustment. Insurance companies have successfully overcome a challenging economic environment, embraced technological advancement, and adapt to new regulations. Looking to the future, flexibility, innovation and focus on customer needs will be the key drivers of success in the ever-evolving insurance landscape.

Insurance Regulatory Unit

Within four years of the life of the Insurance Regulatory Unit, the unit has made a breakthrough and a qualitative shift in the performance of the insurance industry market in the State of Kuwait, since the issuance of Law No. (125) of 2019 regarding insurance regulation, which entrusted the Insurance Regulatory Unit to implement this law and establish... An organized work environment that operates in accordance with the latest international practices, and in four years until December 2023, during which the unit issued the executive regulations of the law, in addition to 173 decisions and 36 circulars, through which it was able to create the legal and regulatory environment for the Kuwaiti insurance market, and strengthen its mechanisms with the latest applications and practices. available in the field of insurance, and providing professional cadres and expertise capable of managing it wisely and effectively.

Warba Insurance and Reinsurance Company has affirmed its absolute and unconditional support for the unit's policies, in recognition of the importance of the pivotal and positive role played by the Insurance Regulatory Unit in the State of Kuwait.

Warba Insurance and Reinsurance Company in 2023

We can say that the year 2023 was an exceptional year for Warba Insurance and Reinsurance Company, with many challenges that the company faced in that year, the most important of which were:

- Completing the full increase of the company's capital to KWD 25,000,000.
- Confronting the effects of applying the new international accounting standards as of January 2023, Standard (17) regarding insurance contracts, and Standard (9) regarding financial instruments.
- Keeping pace with meeting the requirements of regulatory authorities.

However, the strategic proactive planning and prudent future outlook carried out by the company's Board of Directors, and the presence of an executive body, enabled it to be achieved on the ground, and contributed significantly to dealing with the aforementioned challenges and other challenges during the year 2023.

The company was keen to fully adhere to the key performance indicators of the strategic plans and objectives set, and through the approved standard policies and procedures, which was reflected in the company's financial results during the year 2023.

The company also continued to implement and develop its established and approved policy in accordance with the highest international and scientific standards and practices, which relies on diversifying sources of income with high profitability, and creating and exploiting new opportunities and favorable conditions for operational activities (insurance and reinsurance) and investment activities, which has yielded significant results. At all levels, it manifested itself in the form of exceptional financial and administrative results for the company.

First: The most important financial indicators for the year 2023:

During the year 2023, Warba Insurance and Reinsurance Company achieved unusual and promising financial results, and their statement is as follows:

- The company's net profits increased by 46.4%, amounting to KWD 7,115,122 in 2023, compared to a profit of KWD 4,859,276 in 2022.
- Total comprehensive revenues increased by 257.4%, reaching KWD 6,482,575 in 2023 compared to 2022, when it was KWD 1,814,059.
- Total insurance revenues increased by 8.6%, reaching KWD 43,189,794 in 2023, compared to KWD 39,781,757 in 2022.
- The company's total assets increased by 5%, as in 2023 it became KWD 92,105,861 compared to 2022 when it was KWD 87,724,462.
- Retained profits increased by 87.5%, reaching KWD 4,223,330 in 2023 compared to KWD 2,252,655 in 2022.
- Investment assets increased by 38.8%, as in 2023 they became KWD 46,311,341 compared to 2022 when they were KWD 33,370,615.
- Net investment profits decreased by 149%, reaching KWD 2,478,087 in 2023 compared to 2022 which was KWD 995,149.

These exceptional results achieved by the company during the year 2023 are the result of continuous work, intense effort, and keenness on the company's strategic approach, which supports increasing its profitability and returns.

Second: Investments:

Over the past years, Warba Insurance and Reinsurance Company has committed itself to its investment policy approved by the Board of Directors, which has borne fruit during those years, but the year of life is change and development for the better, and the search for new ways and directions that keep pace with the times, and support and contribute to increasing the company's profitability and returns, especially in Investment field.

This prompted the Board of Directors to develop and update the company's investment policy and prepare for new investment opportunities. These updates and directions bore fruit, as they were reflected in an increase in the company's investment assets and an increase in net investment profits by 149% for the year 2023.

The company will continue to adopt this approach that enhances the company's profits and returns, while at the same time doing so within a framework of acceptable risks in accordance with the company's risk appetite, and in a manner consistent with its capital management policy.

Credit rating

The year 2023 witnessed a significant development in the company's credit rating, as the Standard & Poor's Global Agency (S&P Global) report included an upgrade and update of the company's credit rating from the (BBB) level with a positive outlook to the (BBB+) level.) with a stable future outlook, which is considered one of the factors of strength and attraction and adding confidence in financial institutions, as the report reflected the reasons for promotion and modernization to the profitable expansion of the company in its business over the past years, an increase in insurance revenues, a decrease in expenses, and the company's continued expansion of its portfolio. And its insurance business and other business areas, and the company's success in continuing to support a track record of steady improvements in net profits, and the agency also confirmed the improvement in the performance and growth of underwriting in the company and the reduction of concerns regarding fluctuations in capital and profits, as well as the improvement in the liquidity position, and also reflects The company's ability to increase its market share in a positive manner, the stability of the business and the company's performance in general, and the company's continued achievement of capital adequacy that exceeds the requirement at the rank of (AAA) and which exceeds the specific standard existing in accordance with the agency's internal risk-based capital model. The classification reflects the company's strong and distinguished position, and the distinguished performance of its operational and investment activities.

Business quality within a security framework

Warba Insurance and Reinsurance Company has continued to maintain the highest institutional administrative quality in accordance with the international standard (ISO 9001:2015), over a period of sixteen continuous years, which reflects the institution's ability to meet customer requests and exceed expectations. This results in significant improvements in organizational efficiency and quality of services by reducing error and loss rates and increasing productivity, and increases the organization's competitive ability and stability in the market. Maintaining exceptional, professional administrative performance rates, and adhering to policies and procedures in accordance with the international risk-based standard, as well as maintaining the information security quality certificate in accordance with the global standard (ISO 27001:2013), which confirms and enhances the company's credibility in maintaining Confidentiality and security of customer databases and all related operations, and placing them as a priority.

It also confirms the company's competence and ability to provide and provide comprehensive insurance services with the highest and finest possible quality at various levels and functions, by maintaining standard policies and procedures in accordance with applicable international standards.

Human wealth

Warba Insurance and Reinsurance Company was keen to support its human resources, by creating an attractive work environment for those elements, providing continuous training and development, and using the latest training methods such as distance learning and electronic training courses, which enhances productivity and develops the technical and administrative capabilities of employees. In all specialties, this is reflected in the high quality of operational processes and business in general and comprehensive Within the framework of the company's support for the state's economic initiatives, sustainability plans, and support for Kuwaiti personnel and recent graduates, the company has adopted a policy of supporting the national human resource, providing appropriate job opportunities for them, as well as providing training courses for recent graduates, in cooperation with scientific institutions and universities in Kuwait.

Social Responsibility In 2023

The company supported its ongoing efforts in corporate social responsibility through activities that serve society and the public interest by participating in social and charitable development initiatives as follows:

1. First Safety and Civil Protection Conference 2023 - Silver Tier Sponsorship.
2. Rawdha Al Kuwait Kindergarten Boy and Girl Scout event.
3. Rawdha Al Amwaj National Day Celebrations.
4. Participation in Eco Kuwait's Abundance Forum and Sustainable Leadership.
5. Participation in Iftar Sa'em - Sharing of Ramadan Meals.
6. PAAET Education College 2035 Vision
7. Amwaj Kindergarten Boy and Girl Scout Graduation.
8. KISR Summer Conference
9. Heba Clinic for Autism and Communication Disorders (Awareness).
10. Rah Nahyeeha Initiative - Grow Plants on Highways.
11. The Hindrance Disability Race
12. Women's Breast Cancer Awareness Event at KISR Kuwait International Law
13. School Breast Cancer Awareness Month Event.
14. Watheefti Job Fair at the Arena 360
15. Flare Fitness Festival
16. Kuwaiti Student Union Jebla Conference in Manchester, UK.
17. Jsoor Marathon.
18. Insurance Awareness Lectures at PAEET Basic Education College
19. Media Event at College of Arts, Kuwait University Ahmadi Hospital Health
20. Insurance Awareness Lecture .

The company's future strategy:

Warba Insurance and Reinsurance Company has continued to achieve its strategic objectives set with great care in accordance with the best international practices and scientific studies of the insurance and financial markets, and will continue its relentless pursuit to achieve the best financial results, whether operational or investment, to maintain the stability and growth of its business development, and to enhance the efficiency of the company's services, in a way that enhances its leading position as a source of local and regional insurance services, supports the insurance and reinsurance industry, and achieves the aspirations of its valued shareholders.

Third: Profits and recommendations:

The annual profit for the fiscal year 2023 amounted to KWD 7,320,655 adding the retained profits at the beginning of the year amounting to KWD 2,252,655, and after deducting the distributions due to the shareholders for the year 2022 amounting to KWD 1,328,823, and after adding the minority interests amounting to KWD 24,841. KD., the total distributable profits amount to KWD 8,269,328.

Accordingly, the Board of Directors is pleased to recommend the following distributions for the company's profits, which are stated as follows:

Statement	Value in KWD
of the paid-up capital for distribution in cash to shareholders 10%	**2,380,118**
free bonus shares distributed to shareholders from treasury shares (2 2% (shares for every 100 shares	**0**
Share of the Kuwait Foundation for the Advancement of Sciences	**69,868**
National labor support tax	**98,107**
Zakat	**37,558**
Remuneration for board members	**225,000**
Retained profits for next year	**5,458,677**

Thanks, and appreciation.

Dear distinguished shareholders

At the conclusion of this brief report on your company's activity, we cannot help but extend, in our name and in the name of all of you, our sincere thanks and great gratitude and appreciation to His Highness the Emir of the country, Sheikh/ Mishal Al-Ahmad Al-Jaber Al-Sabah, may God protect him and keep him as an asset and support for our beloved homeland Kuwait and direct his steps for the advancement of Kuwait. And its people.

We also extend our thanks to the Messrs. the Ministry of Commerce and Industry for supporting the business and facilitating the services provided, the Messrs. the Insurance Regulatory Unit, the Messrs. the Ministry of Finance, and the Messrs. the Ministry of the Interior, as well as all other regulatory authorities, Messrs. the Capital Markets Authority, Messrs. the Kuwait Stock Exchange, Messrs. Kuwait Clearing Company, Messrs. Kuwait Insurance Federation, appreciating their efforts in promoting and advancing the Kuwaiti economic business system and raising it to the highest status.

We also extend our thanks to our reinsurer partners, and we commend the continued cooperation between national insurance companies to serve the Kuwaiti insurance market in the best possible way. We extend our sincere thanks to our valued customers for their precious trust and we assure them that we will always live up to their expectations and always provide them with distinguished services.

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 company's capabilities and gains.

May Allah grant us success in doing good and righteous deeds,

May Allah protect Kuwait, its Emir, and its great people Peace,

mercy and blessings of Allah

Chairman of Board of Directors

CEO'S LETTER

REPORT OF THE BOARD OF DIRECTORS FOR 2023

CEO speech

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, 2023, 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 49 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 2023, the global economic conditions that had a great impact on the global economy during the year 2023, 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 2023, 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

WARBA Insurance and Reinsurance 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 Accident 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.

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).

Corporate Governance and sustainability Department

The Governance and Sustainability Department ensures that the company is committed to operating within a legal framework and conforms to the principles and instructions of governance and sustainability 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.

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).

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 2023

Promoting the concept of governance is no longer limited and limited to a specific category of institutions and bodies in the State of Kuwait, but has become a comprehensive concept for the entire state, as governance and sustainability is a basic requirement to ensure the development of the government sector, the business sector and the Kuwaiti national economy in general, and to increase the national product of industries and that the development of work systems and making them integrated with determining the type of responsibilities and powers and commitment to implement them constitutes the correct foundations and rules for governance and sustainability, 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 the importance of separating powers and responsibilities, the seriousness of weak internal control systems in some entities, the risks of low levels of disclosure and transparency, and conflicts of interest, which can only be overcome through the application of governance rules and their applications, which 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 Module Fifteen (Corporate Governance) of the Executive Bylaws. Law No. (7) of 2010, as well as the Civil Service Bureau, in coordination with the General Secretariat of the Supreme Council for Planning and Development, was tasked with circulating the National Guide for Corporate Governance in the administrative apparatus of the state starting from January 2022 (the guide was issued in 2019), to all government agencies to guide it in setting 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. This guide will have an effective impact on all government agencies in particular, and the ranking of the State of Kuwait in the global competitiveness reports in general, and will affect the orientation towards the path of reform and development of the economic sectors in the country, which serves the economy, business environment, investment and society.

Thus, governance in the State of Kuwait has become of great importance, as in the developed countries of the world, in achieving a distinct reality in society, which is represented in the vision of the State of Kuwait 2035, as it included a part related to the adoption of 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 to achieve the goals, programs and strategies assigned to it with high efficiency and effectiveness, as the composition of the Kuwaiti economy depends on a single source of income, which is oil sales. Crude, natural gas and a small part of non-oil revenues, represented in customs duties, taxes on non-oil companies and service fees, and it is necessary to develop applicable governance rules to help accommodate the culture and concepts of governance of government agencies in a way that addresses future challenges and achieves the optimal methodology for risk management and raises the efficiency and rationalization of public spending, and the serious search for ways to develop non-oil revenues as well as the development of industries related to oil derivatives, in a way that competes with the global market and maximizes the state's income and gross product Identify the best regional and global practices in order to find a roadmap towards the optimal model for application in the State of Kuwait, by identifying administrative and legal requirements and mechanisms available to achieve this.

Basic principles of public sector governance and sustainability

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

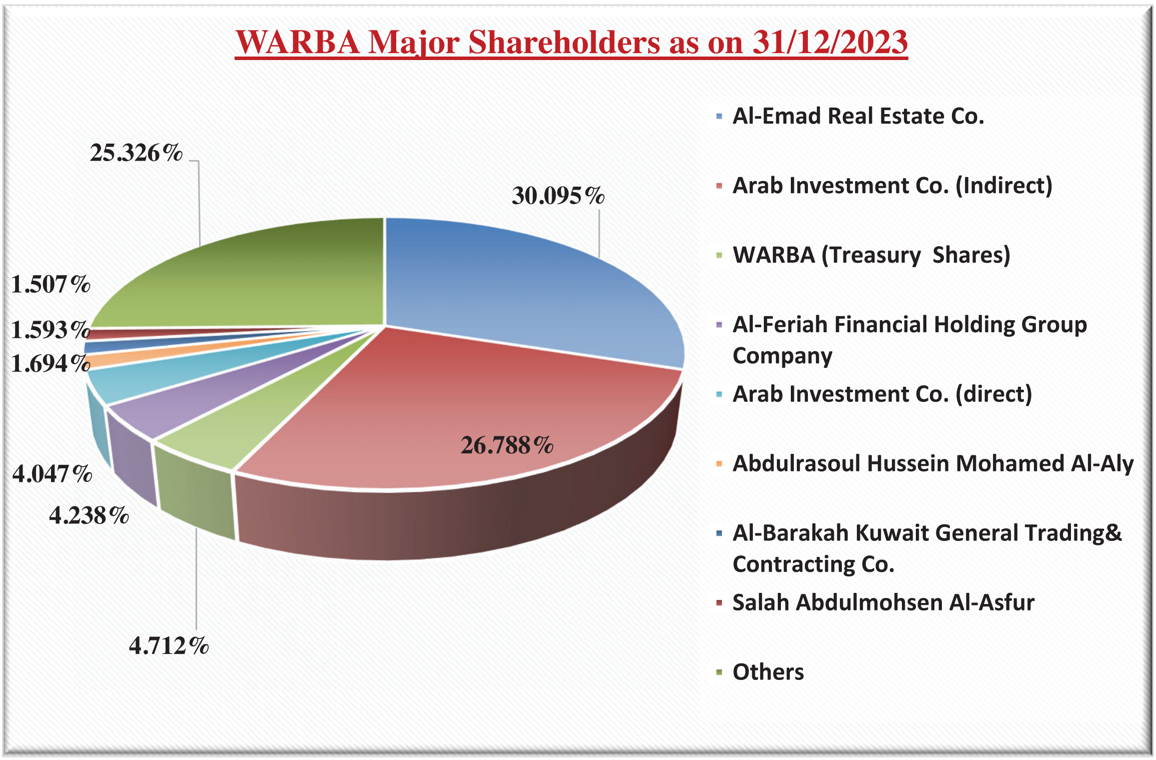
In this context, the Board of Directors of WARBA Insurance and Reinsurance Company is keen to continue pushing the company towards achieving long-term success as WARBA Insurance and Reinsurance Company is one of the long-standing and pioneering companies in the field of insurance in the State of Kuwait, 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.

Data of the Company's Major Shareholders as of 31 December 2023

Shareholder's Name	No. of Shares	Percentage
Al-Emad Real Estate Co.	75,236,384	30.095%
Arab Investment Co. (Indirect)	66,970,175	26.788%
WARBA (Treasury Shares)	11,778,753	4.712%
Al-Feriah Financial Holding Group Company	10,595,148	4.238%
Arab Investment Co. (direct)	10,118,350	4.047%
Abdulrasoul Hussein Mohamed Al-Aly	4,234,693	1.694%
Al-Barakah Kuwait General Trading& Contracting Co.	3,982,978	1.593%
Salah Abdulmohsen Al-Asfur	3,768,365	1.507%
Others	63,315,154	25.326%
Total Shares	**250,000,000**	**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, Member of the Board of Directors Executive of Bukhamseen Group Holding Company, Vice Chairman 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, Deputy CEO Bukhamseen 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 (2023)

Meetings of the Board of Directors:

Meeting No.	Date of Meeting	No. of Attendees
(1/2023)	16/02/2023	7
(2/2023)	15/05/2023	5
(3/2023)	30/05/2023	4
(4/2023)	08/08/2023	5
(5/2023)	09/11/2023	5
(6/2023)	06/12/2023	7
(7/2023)	13/12/2023	7

Member's Name	Meeting no. (1) 16/02/2023	Meeting no. (2) 15/05/2023	Meeting no. (3) 30/05/2023	Meeting no. (4) 08/08/2023	Meeting no. (5) 09/11/2023	Meeting no. (6) 06/12/2023	Meeting no. (7) 13/12/2023	No. of Meetings
Mr. Anwar Jawad Bukhamseen Chairman of Board of Directors	(√)	(√)	(√)	(√)	(√)	(√)	(√)	7
Sheikh Muhammad Al-Jarrah Al-Sabah Deputy Chairman of the Board	(√)	(×)	(×)	(√)	(×)	(√)	(√)	4
Mr. Raed Jawad Bukhamseen Member of the Board of Directors	(√)	(√)	(×)	(√)	(√)	(√)	(√)	6
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	(√)	(×)	(√)	(√)	(√)	(√)	(√)	6
Mr. Muhammad Al-Mubarki Member of the Board of Directors - Independent	(√)	(√)	(√)	(×)	(×)	(√)	(√)	5

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

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

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

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

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

Rule Two

Proper Determination of Tasks and Responsibilities

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

Duties of the Board of Directors:

- Adopting the important objectives, strategies, plans and policies of the Company, including the following:
    - Overall strategy and main business plans, along with reviewing and directing them.
    - Optimal capital structure of the Company and its financial objectives.
    - Clear policy for profits distribution of all kinds, cash / in kind, in a way that achieves the interests of shareholders and the Company.
    - Performance objectives, monitoring of implementation and overall performance in the Company.
    - Organizational and functional structures in the Company and periodic review thereof.
- Approving the annual estimated budgets, as well as the interim and annual financial statements.
- Supervising the main capital expenditures of the Company, and owning/disposing of assets.
- Ensuring the Company's compliance with the policies and procedures that ensure its respect for the applicable by-laws and regulations.
- Ensuring the accuracy and integrity of data and information to be disclosed, in accordance with the applicable disclosure and transparency policies and systems.
- Establishing effective communication channels that allow the Company's shareholders to access, continuously and periodically, the various aspects of the Company's activities and any material developments.
- Establishing a corporate governance system, consistent with the provisions of these rules, and general supervision thereon, monitoring its effectiveness and amending it when necessary.
- Monitoring the performance of each member of the Board of Directors and the Executive Management according to the objective performance indicators (KPIs).
- Preparing an annual report to be read at the Company's annual general assembly to include the requirements and procedures for completing the corporate governance rules and the extent of adhering thereto, provided that this report shall be included in the annual report prepared on the Company's activities, along with stating the rules that have – and have not - been complied with, with justifications for non-compliance cases.

- Specialized committees, emanating from the Board, were formed (Corporate Governance Committee - Risk and Compliance Committee - Audit Committee - Nominations and Remunerations Committee - Executive and Investment Committee - Information Technology Development Committee), in accordance with the rules of corporate governance and the charters of the committees clarifying their durations, powers and responsibilities, along with the Board's supervision thereof. The formation decision shall also include names of the members, in addition to defining their rights and duties. This is in addition to evaluating the performance and work of these committees and the main members thereof.
- Ensuring that the Company's approved policies and regulations are transparent and clear enough to allow the decision-making process, achieve the principles of good governance and ensure the separation of powers and authorities between the Board of Directors and the Executive Management. In this regard, the Board has undertaken the following:
  - 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.
  - 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:
  - Ensuring that the Executive Management operates in accordance with the policies and regulations approved by the Board of Directors.
  - 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.
  - 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:
    - Ensuring the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
    - 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.
- Developing a plan/policy to include sustainability factors in the company's overall strategy, main business plans, and risk measurement and management process, if necessary.

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:

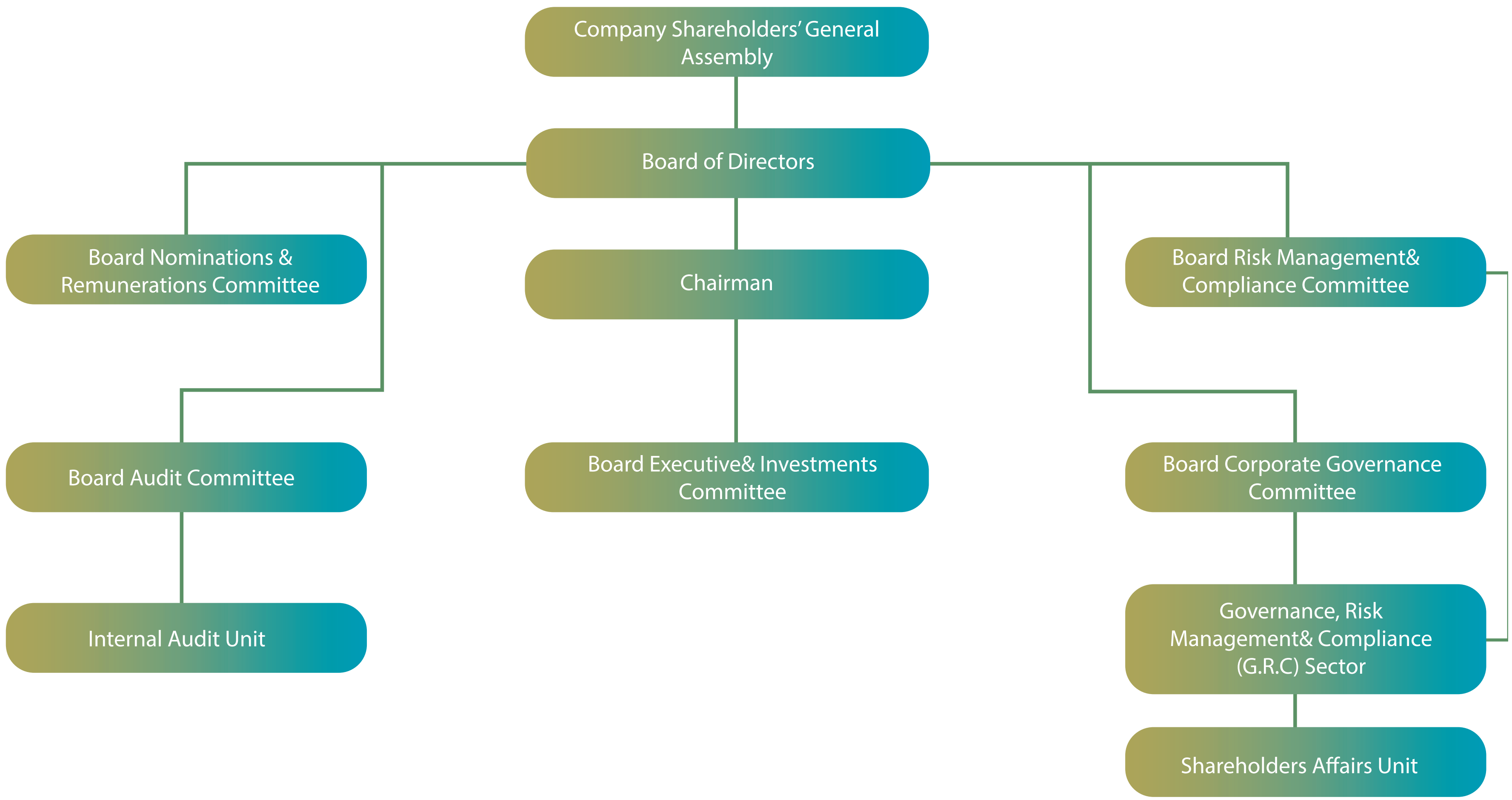
- The committees emanating from the Board of Directors are deemed the link between the Board of Directors and the Executive Management, in addition to assisting the Board to follow up on all operations that actually take place in the Company and submit appropriate recommendations for approval by the 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:
    - Committee meeting's minutes, number, date, start and end time.
    - Recommendations approved by the committees.
    - 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 Organizational Structure

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 Ghalayini	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.

Risks and Compliance Committee:

Formation:

Member Name	Position	No. of Meetings
Mr. Refaat Ghalayini	Chairman of the Committee	Meetings 4
Mr. Rafid Al-Rifai	Committee Member	
Mr. Mohamed Al-Mubarki	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. Refaat Ghalayini	Chairman of the Committee	Meetings 6
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	Meetings 2
Mr. Refaat 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:

- 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 and Reinsurance 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 and Reinsurance 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 2023.

Brief on the application of the Audit Committee formation requirements:

WARBA Insurance and Reinsurance 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 2023.

Ensuring the independence and impartiality of the external auditor:

WARBA Insurance and Reinsurance 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 sustainability Sector:

WARBA Insurance and Reinsurance 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 and sustainability 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 Responsibilities:

- 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.
- Preparing environmental, social and governance sustainability risk assessment and analysis reports.
- 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).

Governance and sustainability Department Responsibilities:

- Ensuring WARBA's commitment to operate within a legal framework and in conformity with the principles of governance and sustainability, 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:

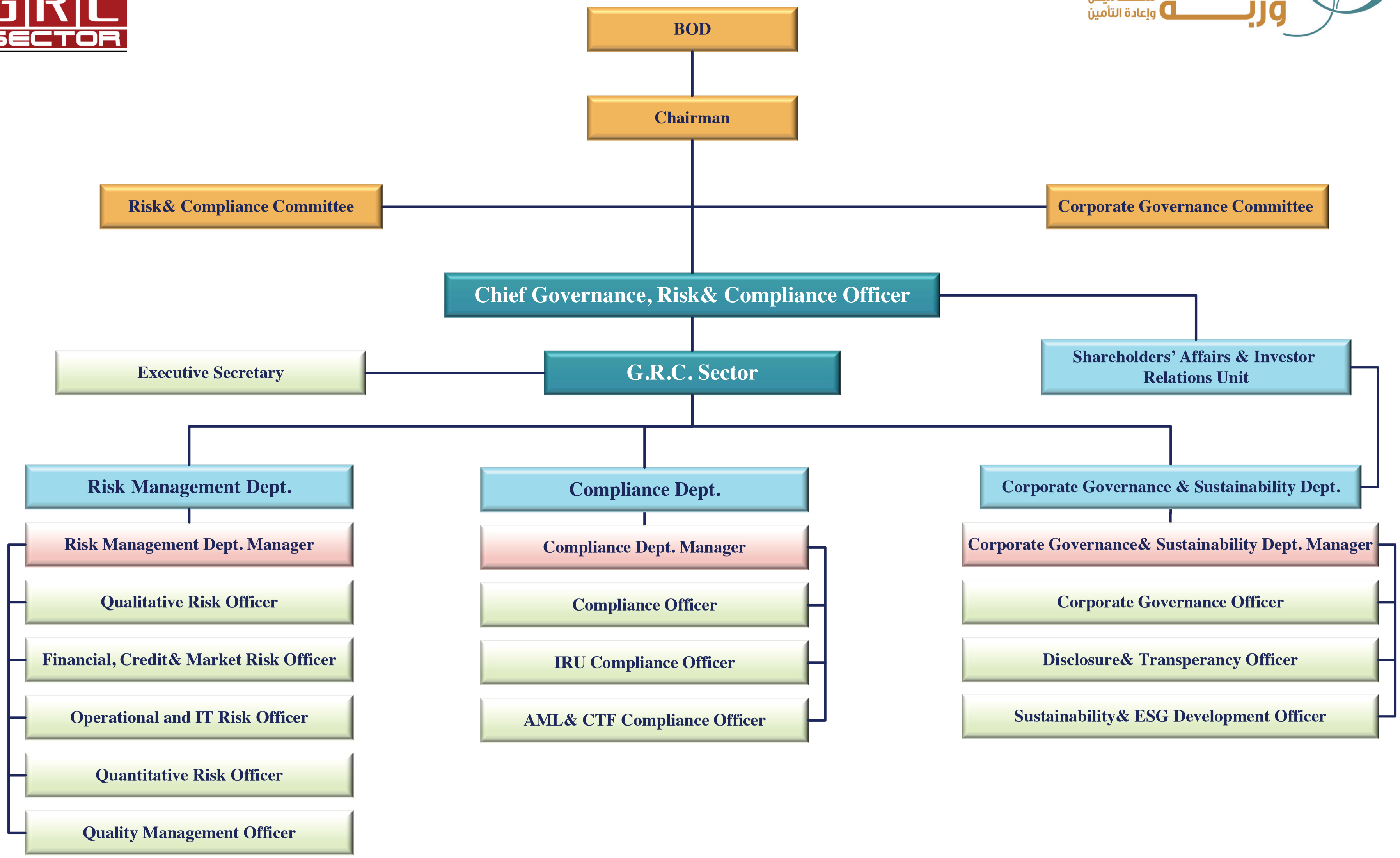
- Ensuring the Company's complies with all legal and regulatory obligations as required by the regulatory authorities.
- Meeting all regulatory requirements established by the Insurance Regulatory Unit.
- Following-up on all matters related to the activities of combating anti-money laundering and terrorist 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.

Duties of the sustainability and quality management department:

- Ensure compliance with international sustainability principles, instructions and standards.
- Ensure adherence to the United Nations principles of sustainability.
- Ensuring compliance with the instructions of the regulatory authorities related to sustainability (Capital Markets Authority - Boursa Kuwait).
- Ensuring compliance with the company's goals and strategies and global and local sustainability goals.
- Coordinating and following up the company's sustainability strategies.
- Research sustainable policies and initiatives.
- Building and spreading awareness of sustainability programs within the company.
- Measuring and reporting on the effectiveness of sustainable initiatives.
- Ensure adherence to international quality standards.
- Develop quality policies and procedures.
- Monitoring and evaluating the application of quality standards within the company.
- Auditing the implementation of quality policies and procedures.
- Preparing reports on administrative quality (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.



BOD
Chairman
Risk& Compliance Committee
Corporate Governance Committee
Chief Governance, Risk& Compliance Officer
Executive Secretary
G.R.C. Sector
Shareholders' Affairs & Investor Relations Unit
Risk Management Dept.
Risk Management Dept. Manager
Qualitative Risk Officer
Financial, Credit& Market Risk Officer
Operational and IT Risk Officer
Quantitative Risk Officer
Quality Management Officer
Compliance Dept.
Compliance Dept. Manager
Compliance Officer
IRU Compliance Officer
AML& CTF Compliance Officer
Corporate Governance & Sustainability Dept.
Corporate Governance& Sustainability Dept. Manager
Corporate Governance Officer
Disclosure& Transperancy Officer
Sustainability& ESG Development Officer

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

WARBA Insurance and Reinsurance 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 2023, 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 and Reinsurance 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.

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

- 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 and Reinsurance 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:
  - 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.
  - 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.
  - 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.
  - The Company shall not guarantee any of its Board members in obtaining financial facilities or loans of any kind.
  - 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 and Reinsurance 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:
    - The news section on the Company's page on Kuwait Stock Exchange website (Boursa Kuwait).
    - 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 and Reinsurance 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 and Reinsurance 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 and Reinsurance 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 and Reinsurance 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 and Reinsurance 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

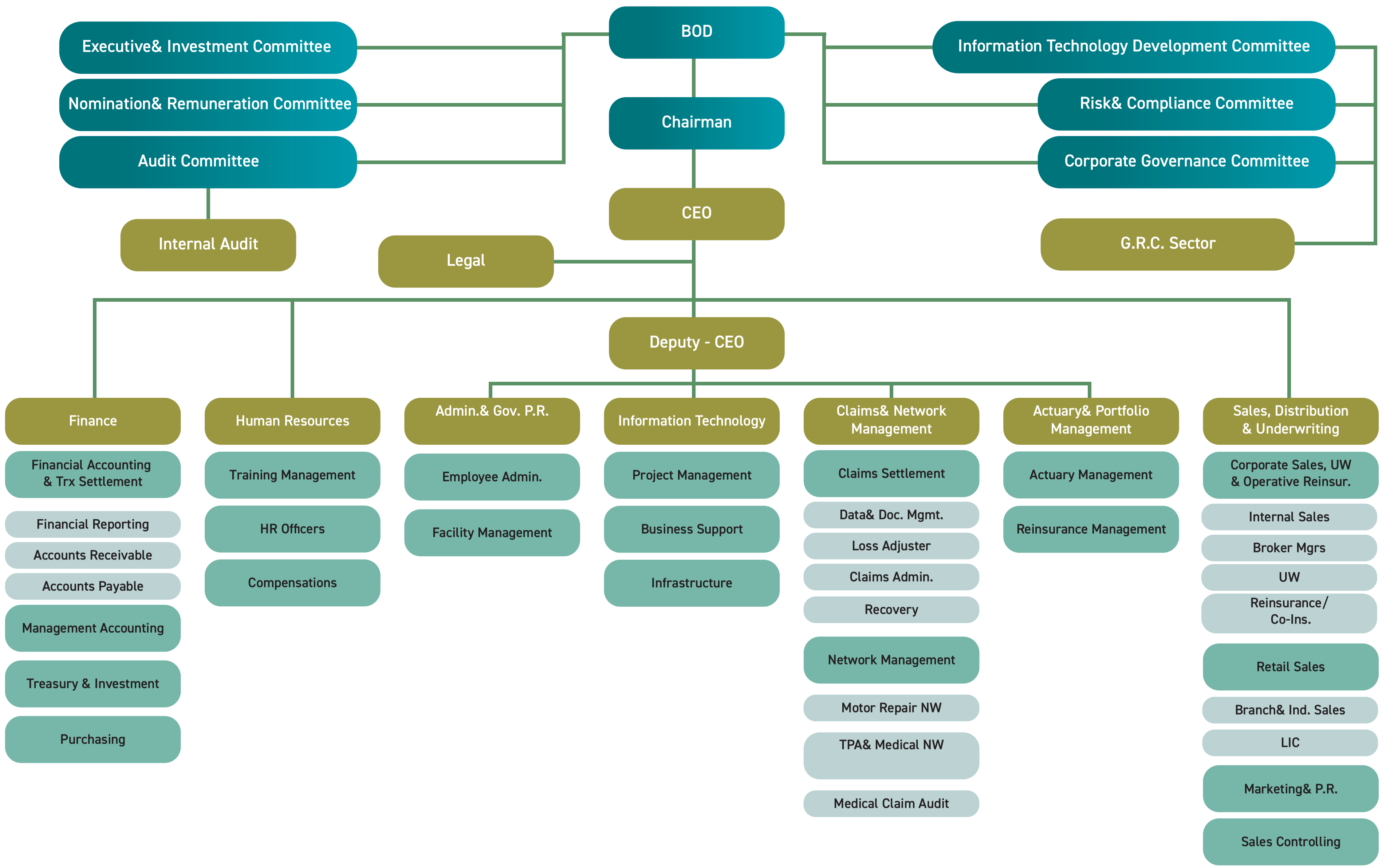
Brief on setting a policy that ensures achieving a balance between the Company's goals and those of society:

Since its foundation, WARBA Insurance and Reinsurance 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:

Organizational Structure of Warba Insurance Company:



Board of Directors' Report on the Internal Control Systems for the Year 2023:

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, Sustainability, 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, sustainability 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 2023, 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 2023:

The Risk and Compliance Committee has held (4) meetings during the year 2023 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 2023:

The Audit Committee has held (6) meetings during the year 2023 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

31 DECEMBER 2023

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 2023

WARBA INSURANCE & REINSURANCE
وربة للتأمين وإعادة التأمين

الكويت في 2024/03/10

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 2023، وذلك بناءاً على ما تم تقديمه لمجلس إدارة الشركة من معلومات وتقارير من قبل الإدارة التنفيذية ومدققي الحسابات وبذل العناية الواجبة للتحقق والتأكد من سلامة وصحة هذه التقارير.

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

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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 2023, 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 material 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 2023, 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) Insurance contract liabilities

Insurance contract liabilities include: Liability for Remaining coverage (LFRC) and Liability for incurred claims (LIC). These insurance contract liabilities amount to KD 39,347,212 (2022: KD 35,757,395), are significant to the Group's consolidated financial statements as at 31 December 2023, as reported in Note 3 to the consolidated financial statements.

The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk.

Accordingly, complexities arises from calculating the actuarial best estimate and the margin using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.

The Group uses the work a management's specialist and an external independent actuary for the determination of Insurance contract liabilities.

Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from insurance contracts, we have considered this as a key audit matter.

Refer to Note 2 for the accounting policy and Note 2.6 for significant accounting judgements, estimates and assumptions adopted by the Group, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to Note 3 for the movement in insurance contract liabilities.

Our procedures, among others, included the following:

- Understood, evaluated and tested key controls around the claims handling and provision setting processes.
- Evaluated the competence, capabilities and objectivity of the management's expert and an external independent actuary based on their professional qualifications and experience.
- Performed substantive tests, on sample basis, on the amounts recorded for claims intimated and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.
- Assessed the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the present value of the future cash flows and the risk adjustment for non-financial risk by comparing it to the accounting and other records.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Insurance contract Liabilities (continued)

- Involved our internal actuarial specialists to assess the Group's methods and assumptions and evaluate the Group's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following:

i. Evaluated whether the Group's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years.
ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims.; and
iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.

- Further, we assessed the adequacy of the related disclosures given in Note 3 to the consolidated financial statements.

b) Adoption of IFRS 17 and IFRS 9

During the year, the Group has adopted IFRS 17 "Insurance Contracts", which replaces IFRS 4 "Insurance Contracts", and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. The Group has applied the full retrospective approach to each group of insurance contracts.

The adoption of IFRS 17 resulted in a transition adjustment to the Group's equity as at 1 January 2022 amounting to KD 3,320,518. IFRS 17 introduced new nomenclature for significant insurance-related balances as well as new measurement principles for insurance-related liabilities and insurance revenue recognition.

Further, during the year the Group also adopted IFRS 9 "Financial Instruments", which replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Group has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For the transition to IFRS 9, the Group applied a modified retrospective approach. The adoption of IFRS 9 resulted in a transition adjustment to the Group's equity as at 1 January 2023 amounting to KD 5,838,727. IFRS 9 also required the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Group's investments. It also introduced the concept of Expected Credit Loss (ECL) which is a forward-looking estimate of credit losses for the Group's financial assets.

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) Adoption of IFRS 17 and IFRS 9 (continued)

Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Group’s consolidated financial statements, along with significant changes to presentation and disclosures that were required in the consolidated financial statements for the year ended 31 December 2023, we have considered this as a key audit matter.

Refer to note 2 for accounting policy, transition and significant accounting judgements, estimates and assumptions adopted by the Group.

Our procedures included, among others, the following:

- Obtained an understanding of the Group's implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Group's accounting policies, systems, processes and controls.

- Evaluated and assessed management’s process to identify insurance contracts, to determine the appropriate measurement model under IFRS 17.

- Assessed the Group’s methods, assumptions and accounting policies adopted under IFRS 17 and IFRS 9, with the assistance of our actuarial specialists.

- Assessed the Group’s methods, assumptions and accounting policies adopted under IFRS 9,

- Evaluated whether management’s allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses.

- Evaluated the risk adjustment for non-financial risk under IFRS 17, and tested on a sample basis the underlying data supporting the adjustment.

- Assessed the adequacy of the transition adjustments for both IFRS 17 and IFRS 9 on the opening retained earnings as at 1 January 2022 and as at 1 January 2023, respectively.

- Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17 and IFRS 9 made in 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 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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.

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)

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 2023 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 establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended, during the year ended 31 December 2023 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

10 March 2024
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023

	Notes	***2023 KD***	*2022 KD (Restated)*
Revenue:			
Insurance revenue	3	**43,189,794**	39,781,757
Insurance service expenses	3	**(20,676,008)**	3,110,131
Insurance service result before reinsurance contracts held		**22,513,786**	42,891,888
Amounts recoverable from reinsurers for incurred claims	3	**2,641,665**	(20,184,666)
Allocation of reinsurance premiums	3	**(16,211,695)**	(17,369,479)
Net expense from reinsurance contracts held		**(13,570,030)**	(37,554,145)
Insurance service result		**8,943,756**	5,337,743
Finance (expenses) income from insurance contracts issued	3	**(1,071,674)**	625,081
Finance (expenses) from reinsurance contracts held	3	**(618,633)**	(196,318)
Net insurance financial result		**7,253,449**	5,766,506
Net investment income	4	**2,478,087**	995,149
Unallocated general and administrative expenses		**(2,689,116)**	(1,942,767)
Other income		**278,235**	218,987
Total income (expenses)		**67,206**	(728,631)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT		**7,320,655**	5,037,875
Contribution to KFAS		**(69,868)**	(31,855)
NLST		**(98,107)**	(105,966)
ZAKAT		**(37,558)**	(40,778)
NET PROFIT FOR THE YEAR		**7,115,122**	4,859,276
Attributable to:			
Equity holders of the Parent Company		**7,090,281**	4,861,551
Non-controlling interests		**24,841**	(2,275)
PROFIT FOR THE YEAR		**7,115,122**	4,859,276
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	**29.44 Fils**	20.03 Fils

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	*2022*
	KD	*KD*
		(Restated)
Profit for the year	**7,115,122**	4,859,276
Other comprehensive (loss) income:		
Items that are or may be subsequently reclassified to consolidated statement of income:		
Share of other comprehensive income (loss) from associates	**5,285**	(27,492)
	5,285	(27,492)
Items that will not subsequently be reclassified to consolidated statement of income:		
Change in fair value of financial assets at FVOCI	**(637,832)**	(3,017,725)
	(637,832)	(3,017,725)
Other comprehensive loss for the year	**(632,547)**	(3,045,217)
Total comprehensive income for the year	**6,482,575**	1,814,059
Attributable to:		
Equity holders of the Parent Company	**6,457,734**	1,816,333
Non-controlling interests	**24,841**	(2,275)
	6,482,575	1,814,058

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	***31 December 2023 KD***	*(Audited) 31 December 2022 KD (Restated)*	*1 January 2022 KD (Restated)*
ASSETS				
Cash and cash equivalent	11	**5,374,525**	6,853,248	7,445,592
Term deposits	10	**6,975,000**	6,806,775	5,488,820
Investment assets	8	**46,311,341**	33,370,615	34,016,741
Reinsurance contract assets	3	**21,590,441**	24,096,382	51,898,286
Other assets	9	**996,660**	961,676	927,827
Investments in associates	7	**3,687,314**	8,330,796	8,076,790
Property and equipment	6	**7,170,580**	7,304,970	7,235,392
TOTAL ASSETS		**92,105,861**	87,724,462	115,089,448
LIABILITIES AND EQUITY				
LIABILITIES				
Insurance contract liabilities	3	**39,347,212**	35,757,395	63,797,666
Term loans		**4,000,000**	4,000,000	4,000,000
Other liabilities	15	**12,470,653**	10,861,239	9,975,411
Total liabilities		**55,817,865**	50,618,634	77,773,077
Equity				
Share capital	12	**25,000,000**	17,710,846	17,710,846
Statutory reserve	13	**4,552,539**	8,781,109	8,781,109
General reserve		**132,367**	4,000,000	4,000,000
Voluntary reserve	13	**-**	764,895	764,895
Treasury shares	14	**(1,210,017)**	(1,122,737)	(893,031)
Treasury shares reserve		**212,222**	223,066	305,756
Cumulative changes in fair value reserve		**3,419,958**	4,563,238	7,608,455
Retained earnings (Accumulated losses)		**4,223,330**	2,252,655	(896,690)
Equity attributable to the equity holders of the Parent Company		**36,330,399**	37,173,072	37,381,340
Non-controlling interests		**(42,403)**	(67,244)	(64,969)
Total equity		**36,287,996**	37,105,828	37,316,371
TOTAL LIABILITIES AND EQUITY		**92,105,861**	87,724,462	115,089,448

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarrah Sabah Al-Sabah
Vice Chairman

WARBA INSURANCE & REINSURANCE
وربــــة للتـــأميــن وإعادة التأمين

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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*	*Subtotal KD*	*Non-controlling interests KD*	*Total equity KD*
Balance as at 1 January 2023 after application of IFRS 17 (restated)	17,710,846	8,781,109	4,000,000	764,895	(1,122,737)	223,066	4,563,238	2,252,655	37,173,072	(67,244)	37,105,828
Impact of initial application of IFRS 9 (Note 2.1.1)	-	-	-	-	-	-	(513,967)	(5,324,760)	(5,838,727)	-	(5,838,727)
Balance as at 1 January 2023 (restated)	17,710,846	8,781,109	4,000,000	764,895	(1,122,737)	223,066	4,049,271	(3,072,105)	31,334,345	(67,244)	31,267,101
Profit for the year	-	-	-	-	-	-	-	7,090,281	7,090,281	24,841	7,115,122
Other comprehensive loss	-	-	-	-	-	-	(632,547)	-	(632,547)	-	(632,547)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(632,547)	7,090,281	6,457,734	24,841	6,482,575
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	3,234	(3,234)	-	-	-
Issuance of bonus shares (Note 12)	7,289,154	-	(3,867,633)	(764,895)	-	-	-	(2,656,626)	-	-	-
Transfer to statutory reserve	-	732,066	-	-	-	-	-	(732,066)	-	-	-
Extinguish of accumulated deficit (Note 12)	-	(4,960,636)	-	-	-	-	-	4,960,636	-	-	-
Cash dividends (Note 12)	-	-	-	-	-	-	-	(1,363,556)	(1,363,556)	-	(1,363,556)
Movement in treasury shares	-	-	-	-	(87,280)	(10,844)	-	-	(98,124)	-	(98,124)
Balance as at 31 December 2023	**25,000,000**	**4,552,539**	**132,367**	-	**(1,210,017)**	**212,222**	**3,419,958**	**4,223,330**	**36,330,399**	**(42,403)**	**36,287,996**
Balance as at 1 January 2022 (audited) as previously reported	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
Impact of initial application of IFRS 17 (Note 2.3.1)	-	-	-	-	-	-	-	(3,320,518)	(3,320,518)	-	(3,320,518)
Balance as at 1 January 2022 (restated)	17,710,846	8,781,109	4,000,000	764,895	(893,031)	305,756	7,608,455	(896,690)	37,381,340	(64,969)	37,316,371
Profit (loss) for the year	-	-	-	-	-	-	-	4,861,551	4,861,551	(2,275)	4,859,276
Other comprehensive loss	-	-	-	-	-	-	(3,045,217)	-	(3,045,217)	-	(3,045,217)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(3,045,217)	4,861,551	1,816,334	(2,275)	1,814,059
Cash dividends (Note 12)	-	-	-	-	-	-	-	(1,712,206)	(1,712,206)	-	(1,712,206)
Movement in treasury shares	-	-	-	-	(229,706)	(82,690)	-	-	(312,396)	-	(312,396)
Balance as at 31 December 2022	17,710,846	8,781,109	4,000,000	764,895	(1,122,737)	223,066	4,563,238	2,252,655	37,173,072	(67,244)	37,105,828

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	***2023*** ***KD***	*2022* *KD* *(Restated)*
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, and Zakat		**7,320,655**	5,037,875
Adjustments for:			
Depreciation of property and equipment		**231,859**	211,134
Net investment income	4	**(3,100,079)**	(1,308,689)
Provision of employees' end if service benefits		**222,997**	289,193
		4,675,432	4,229,513
Changes in operating assets and liabilities:			
Other assets		**303,079**	81,664
Reinsurance contract assets		**2,505,941**	27,801,904
Insurance contract liabilities		**(2,248,910)**	(28,040,271)
Other liabilities		**1,371,139**	500,700
Cash flows from operations		**6,606,681**	4,573,510
Employees' end if service benefits paid		**(224,988)**	(145,149)
Net cash flows from operating activities		**6,381,693**	4,428,361
INVESTING ACTIVITIES			
Movement in term deposits		**(168,225)**	(1,317,955)
Net movement of treasury shares		**(98,124)**	(312,396)
Purchase of investment assets		**(10,543,514)**	(5,847,382)
Proceed from sale of investment assets		**2,355,827**	2,840,916
Purchase of property and equipment		**(97,469)**	(280,712)
Investment income received		**2,019,912**	1,546,545
Net cash flows used in investing activities		**(6,531,593)**	(3,370,984)
FINANCING ACTIVITIES			
Cash dividends paid		**(1,328,823)**	(1,649,721)
Net cash flows used in financing activities		**(1,328,823)**	(1,649,721)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,478,723)**	(592,344)
Cash and cash equivalents at 1 January		**6,853,248**	7,445,592
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	11	**5,374,525**	6,853,248

The attached notes 1 to 22 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”) and its subsidiary – WAPMED TPA Services Company K.S.C.C. (collectively “the Group”) for the year ended 31 December 2023 were authorised for issuance with a resolution of the Board of Directors on 10 March 2024. 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 11 March 2023.

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 BASIS OF PREPARATION AND MATERIAL 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 financial assets at fair value through other comprehensive income and financial assets at fair value through profit or 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.

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

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period since there is a retrospective application of IFRS 17.

The Group presents its consolidated statement of financial position broadly in the order of liquidity.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2023 (together referred to as “the Group") as follows:

	Incorporation country	**Activity**	**Ownership (%) 31 December 2023**	Ownership (%) 31 December 2022
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:

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

- 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

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 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

2.3.1 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 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New and amended accounting policies, standards and interpretations (continued)

IFRS 17 Insurance Contracts
IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023.

The Group has restated comparative information for 2022 applying the transitional provisions in the transitional impact of IFRS 17, adopting the full retrospective approach, modified retrospective approach and fair value approach where applicable. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement:
IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

The key principles of IFRS 17 are that the Group:

- Identifies insurance contracts as those under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards
- Divides the insurance and reinsurance contracts into groups it will recognise and measure
- Recognises and measures groups of insurance contracts at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information

    Plus
  - An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)
- Recognises profit from a group of insurance contracts over each period the Group provides insurance contract services, as the Group is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group recognises the loss immediately.
- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

Under IFRS 17, the Group's insurance contracts issued, and reinsurance contracts held are eligible to be measured by applying the Premium Allocation Approach (PAA), General Model (GM). The PAA simplifies the measurement of insurance contracts in comparison with the General Model (GM) in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage (LRC) reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the LRC includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the LRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (LIC) (previously outstanding claims and incurred-but-not-reported (IBNR) reserves) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid less reinsurance commission received for reinsurance contracts held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued):
The Group has determined that the majority of its insurance contracts qualify for the simplified approach. As a result, the Group has established its policy choice to account for its insurance contracts under the Premium Allocation Approach, where eligible.

The application of the PAA model is optional. This means that if the eligibility criteria are fulfilled for a certain group of insurance contracts, an entity can choose between measuring this group of contracts under the General Model (GM) or under the PAA.

The Group has determined that contracts are eligible for the PAA if they have a coverage period of one year or less (Criteria 1) or the liability for remaining coverage would not differ materially from the liability for remaining coverage under the GM in any of the given reporting periods (Criteria 2) or if the volatility in historical expectations was low, i.e. when expectations were stable over time (Criteria 3).

The Group's classification and measurement of insurance and reinsurance contracts is explained in Note 3.

Changes to presentation and disclosure
For presentation in the consolidated statement of financial position, the Group aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets.
- Portfolios of insurance and reinsurance contracts issued that are liabilities.
- Portfolios of reinsurance contracts held that are assets.
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the consolidated statement of income and consolidated statement of comprehensive income have been changed significantly compared with last year. As follows:

Previously reported under IFRS 4:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

Transition
On transition date, 1 January 2022, the Group:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However. at transition date, a recoverability assessment was performed, and no impairment loss was identified.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 17 Insurance Contracts (continued)

Transition (continued)

Full retrospective approach
On transition to IFRS 17, the Group has applied the full retrospective approach unless impracticable. The Group has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2021.

Fair valuation approach
The Group has applied the fair value approach on transition for certain groups of term-life contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date.

The Group has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the Group has used reasonable and supportable information available at the transition date in order to:

• Identify groups of insurance contracts
• Determine whether any contracts are direct participating insurance contracts
• Identify any discretionary cash flows for insurance contracts without direct participation features.

The discount rate for the group of contracts applying the fair value approach was determined at the transition date. Therefore, for the measurement of fulfilment cash flows at the date of transition, the locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

Bottom-up approach is operationally simpler given most insurance contract cash-flows do not vary based on returns on underlying items. As a result, the yield curve used to discount insurance contracts will be based on a risk-free rate and an illiquidity premium.

The Group estimates that, on adoption of IFRS 17, the impact of these changes is as follows:

	Impact on equity for the year ended 1 January 2022 *KD*
Change in liabilities	(2,794,315)
Risk adjustment	(401,704)
Deferred acquisition cost	460,872
Discounting impact	(191,226)
Contractual Service Margin	(279,739)
Others	(114,406)
	(3,320,518)

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments
IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Group elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The Group has applied IFRS 9 using the modified retrospective approach and accordingly, the comparative periods have not been restated for the financial instruments within the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2023.

The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)
The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)
Changes to classification and measurement (continued)
Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test) (continued)
In contrast, 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.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities
The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions:

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

Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated statement of income. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. The management classifies certain equity investments at FVOCI and are separately disclosed in the consolidated statement of financial position.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Changes to classification and measurement (continued)

Measurement categories of financial assets and liabilities (continued)

Financial assets at FVTPL
The Group classifies financial assets fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities that have been acquired principally for the purpose of selling or repurchasing in the near term and certain debt instruments that failed the SPPI test.

Impairment of financial assets
The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The adoption of IFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For the Group’s financial assets, the management has applied the standard’s simplified approach and has determined lifetime expected credit losses on these instruments. The management has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the counter parties and the economic environment.

The management considers a financial asset in default when the contractual payments are passing the default point. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The adoption of the ECL requirements of IFRS 9 has resulted in change of impairment allowances in respect of the Group’s debt instruments. The increase in allowance was adjusted to retained earnings.

Hedge accounting
The general hedge accounting requirements of IFRS 9 aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The adoption of general hedge accounting requirements of IFRS 9 does not result in any change in accounting policies of the Group and does not have any material effect on the Group’s consolidated financial statements.

Transition impact
The impact of this change in accounting policy as at 1 January 2023 has resulted in an decrease in retained earnings by KD 5,324,760 and a decrease in the cumulative changes in fair value by KD 513,967 as follows:

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)
Changes to classification and measurement (continued)

Measurement categories of financial assets and liabilities (continued)

Transition impact (continued)

	Retained earnings KD	*Cumulative changes in fair value KD*
Closing balance under IAS 39 (31 December 2022)	2,252,655	4,563,238
Impact on reclassification and re-measurements of financial assets:		
Quoted bonds	(395,600)	395,600
Unquoted equity investments	797,587	(797,587)
Unquoted bonds	111,980	(111,980)
Impact on recognition of Expected Credit Losses on financial assets:		
Allowance for impairment of trade receivables based on Expected Credit Loss model	(5,838,727)	-
Opening balance under IFRS 9 on date of initial application as of 1 January 2023	(3,072,105)	4,049,271

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2023.

	Original classification under IAS 39	*Original carrying amount under IAS 39 KD*	*New classification under IFRS 9*	*Re-measurement /ECL / others KD*	*New carrying amount under IFRS 9 KD*
Quoted equity investments	AFS	12,297,580	FVOCI	-	12,297,580
Bonds	AFS	8,895,323	FVTPL	(395,600)	8,895,323
Unquoted equity investments	AFS	603,569	FVOCI	797,587	603,569
Bonds	FVTPL	438,601	FVOCI	111,980	438,601
Bonds	FVTPL	7,592,084	FVTPL	-	7,592,084
Quoted equity investments	FVTPL	2,130,762	FVTPL	-	2,130,762
Managed funds	FVTPL	1,412,696	FVTPL	-	1,412,696
Insurance and reinsurance receivable	Receivable	10,610,935	Insurance contract assets	(5,838,727)	4,772,208

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted any standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements. The Group intends to adopt these standards when they become effective.

Standard / Interpretation	*Effective date*
Amendments to IFRS 16: Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IAS 1: Non-Current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	1 January 2024

2.5 MATERIAL 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.

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

IFRS 17 Insurance Contracts

Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (i.e., if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Definition and classification (continued)

Unit of account
The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into Groups of contracts that are issued within a calendar year (annual cohorts) and are:

- contracts that are onerous at initial recognition; or
- a Group of remaining contracts. These Groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such Groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and others. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same Group without performing an individual contract assessment.

For life risk and savings product lines, sets of contracts usually correspond to policyholder pricing Groups that the Group determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Group monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of these pricing Groups with no information available at a more granular level.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Group tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

The Group applies IFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation or combination of insurance contracts and contain embedded derivatives or distinct investment.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Recognition
Groups of insurance contracts issued are initially recognized from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and,
- when the Group determines that a Group of contracts becomes onerous.

Insurance contracts acquired in a business combination, or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

A Group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognized at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Group does not recognize a group of quota share reinsurance contracts held until it has recognized at least one of the underlying insurance contracts.

A Group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognized at the beginning of the coverage period of that Group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the Groups. When contracts meet the recognition criteria in the Groups after the reporting date, they are added to the Groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the Groups is not reassessed in subsequent periods.

Contract modification and derecognition
An insurance contract is derecognized when it is:

- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Group derecognizes the original contract and recognizes the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
    i. is not in scope of IFRS 17;
    ii. results in different separable components;
    iii. results in a different contract boundary; or
    iv. belongs to a different group of contracts;
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
c. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Contract modification and derecognition (continued)
When an insurance contract not accounted for under the PAA is derecognized from within a Group of insurance contracts, the group:

a. Adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the Group.
b. Adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the Group) in the following manner, depending on the reason for the derecognition:
   i. If the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.
   ii. If the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party.
   iii. If the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in a. adjusted for the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognizing the new contract in this case, the Group assumes such a hypothetical premium as actually received.
c. Adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognized, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognized part of the LRC of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognized part of the LRC of the original contract and the premium charged by the third party;
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Fulfilment cash flows
Fulfilment cash flows within contract boundary
The FCF are the current estimates of the future cash flows within the contract boundary of a Group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:
(a) are based on a probability weighted mean of the full range of possible outcomes.
(b) are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
(c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the Groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

***Fulfilment cash flows within contract boundary* (continued)**
Risk of the Group's non-performance is not included in the measurement of Groups of insurance contracts issued.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to Groups of contracts. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the Groups of underlying insurance contracts.

Contract boundary
The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of Groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

a) the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
b) both of the following criteria are satisfied:
   i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
   ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Some insurance contracts issued by the Group provide policyholders with an option to buy an annuity upon the initially issued policies maturity. The Group assesses its practical ability to reprice such insurance contracts in their entirety to determine if annuity-related cash flows are within or outside of the insurance contract boundary. As a result of this assessment, non-guaranteed annuity options are not measured by the Group until they are exercised.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognized in other operating expenses as incurred.

Measurement Model Application
The Group applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds for which the coverage period is less than one year. For other contracts issued and held where the coverage period is more than one year, the Group performs PAA Eligibility testing as disclosed in Note 2.3 to confirm whether the PAA may be applied. Subject to passing the PAA eligibility testing, the Group applied PAA on contract issued and reinsurance contracts held that pass the testing. Hence, General Measurement Model (GMM) has been applied for Individual Life portfolio.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Model Application (continued)
When measuring liabilities for remaining coverage (LRC), the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Initial measurement – Groups of contracts not measured under the PAA -contractual service margin (CSM)
The CSM is a component of the carrying amount of the asset or liability for a Group of insurance contracts issued representing the unearned profit that the Group will recognize as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a Group of contracts is onerous) arising from:

a) the initial recognition of the FCF;
b) the derecognition at the date of initial recognition of any asset or liability recognized for insurance acquisition cash flows; and
c) cash flows arising from the contracts in the Group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognized in the consolidated statement of income immediately with no CSM recognized on the balance sheet on initial recognition.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognized as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognizes the net cost immediately in the consolidated statement of income. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognize as a reinsurance expense as it receives reinsurance coverage in the future.

For insurance contracts acquired through business combination, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

a) the initial recognition of the FCF; and
b) cash flows arising from the contracts in the Group at that date, including the fair value of the groups of contracts acquired at the acquisition date as a proxy of the premiums received.

No contracts acquired were assessed as onerous at initial recognition.

Subsequent measurement – Groups of contracts not measured under the PAA
The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

a) the LRC, comprising:
    i. the FCF related to future service allocated to the Group at that date; and
    ii. the CSM of the Group at that date; and
b) the LIC, comprising the FCF related to past service allocated to the Group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

a) the remaining coverage, comprising:
    i. the FCF related to future service allocated to the Group at that date; and
    ii. the CSM of the Group at that date; and
b) the incurred claims, comprising the FCF related to past service allocated to the Group at the reporting date.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Changes in fulfilment cash flows

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a) changes that relate to current or past service are recognized in the consolidated statement of income; and
b) changes that relate to future service are recognized by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
b) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
d) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments a, b and c above are measured using the locked-in discount rates as described in the section Interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b) changes in the FCF relating to the LIC; and
c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Group does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

a) The effect of any new contracts added to the Group.
b) For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
c) Changes in the FCF relating to future service are recognized by adjusting the CSM. Changes in the FCF are recognized in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognized in insurance service expenses and a loss component is recognized within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
d) The effect of any currency exchange differences.
e) The amount recognized as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognized in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognized in the insurance service result.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Interest accretion on the CSM
Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates). If more contracts are added to the existing Groups in the subsequent reporting periods, the Group revises the locked- in discount curves by calculating weighted-average discount curves over the period that contracts in the Group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the Group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service
The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the Changes in fulfilment cash flows section.

Release of the CSM to consolidated statement of income
The amount of the CSM recognized in the consolidated statement of income for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

For contracts issued, the Group determines the coverage period for the CSM recognition for term life and universal life insurance contracts, the coverage period corresponds to the policy coverage for mortality risk.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

a) the quantity of benefits provided by contracts in the Group;
b) the expected coverage duration of contracts in the Group; and
c) the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the Group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

The Group determines coverage units for Individual Life contracts acquired in the run-off period, coverage units are based on the expected amount of payment covered in the period and the expected amount of claims remaining to be covered in future periods.

The Group reflects the time value of money in the allocation of the CSM to coverage units except for the contracts acquired in the run-off period for the Individual Life portfolio.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

Coverage units for the proportionate term life reinsurance contracts are based on the insurance coverage provided by the reinsurer and are determined by the ceded policies' fixed face values taking into account new business projected within the reinsurance contract boundary.

The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary. Refer to the Contract boundary section stated above.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Onerous contracts – Loss component on GMM
When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous, and the Group recognizes the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a) expected incurred claims and expenses for the period;
b) changes in the risk adjustment for non-financial risk for the risk expired; and
c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in a. and b. above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Initial and subsequent measurement – Groups of contracts measured under the PAA
The Group uses the PAA for measuring contracts with a coverage period of one year or less and on contracts that pass the eligibility testing as stated above.

The excess of loss reinsurance contracts held provide coverage on the insurance contracts originated for claims incurred during an accident year and are accounted for under the PAA.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

For reinsurance contracts held on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a) the LRC; and
b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a) the remaining coverage; and
b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a) increased for premiums received in the period;
b) decreased for insurance acquisition cash flows paid in the period;
c) decreased for the amounts of expected premiums received recognized as insurance revenue for the services provided in the period; and
d) increased for the amortization of insurance acquisition cash flows in the period recognized as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a) increased for ceding premiums paid in the period; and
b) decreased for the amounts of ceding premiums recognized as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)
For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money since motor insurance contracts issued by the Group and measured under the PAA typically have a settlement period of over one year.

Onerous contracts – Loss component on PAA
For all contracts measured under PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

In addition, if facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. Once a group of contracts is determined as onerous on initial or subsequent assessment, loss is recognized immediately in the consolidated statement of income in insurance service expense.

The loss component is then amortized to the consolidated statement of income over the coverage period to offset incurred claims in insurance service expense. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Group remeasures the same and adjusts the loss component as required until the loss component is reduced to zero. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Insurance acquisition costs
The Group includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

a) costs directly attributable to individual contracts and groups of contracts; and
b) costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

The acquisition costs are generally capitalized and recognized in the consolidated statement of income over the life of the contracts. However, for contracts under PAA approach, there is an option to recognize any insurance acquisition cash flows as an expense when the Group incurs those costs. The Group has elected not to choose the option in the insurance contracts and has capitalized the costs which would then be recognized over the life of contracts. No separate asset is recognized for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

The Group has chosen a confidence level based on the 65% for Motor Comprehensive, Medical and Group Life and 70% for the rest of the segments of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Amounts recognized in the consolidated statement of comprehensive income for Insurance service result from insurance contracts issued

Insurance revenue
As the Group provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  a. insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
     i. amounts related to the loss component;
     ii. repayments of investment components;
     iii. amounts of transaction-based taxes collected in a fiduciary capacity; and
     iv. insurance acquisition expenses;
  b. changes in the risk adjustment for non-financial risk, excluding:
     i. changes included in insurance finance income (expenses);
     ii. changes that relate to future coverage (which adjust the CSM); and
     iii. amounts allocated to the loss component;
  c. amounts of the CSM recognized in statement of income for the services provided in the period; and
  d. experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Group recognizes insurance revenue based on the passage of time over the coverage period of a Group of contracts.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

Insurance service expenses
Insurance service expenses include the following:

a) incurred claims and benefits excluding investment components;
b) other incurred directly attributable insurance service expenses;
c) Insurance acquisitions costs incurred and amortization of insurance acquisition cash flows;
d) changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
e) changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

For contracts not measured under the PAA, amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above.

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Amounts recognized in consolidated comprehensive income for Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held
The Group presents financial performance of groups of reinsurance contracts held on a net basis between the amounts recoverable from reinsurers and allocation of the premiums for reinsurance contracts held, comprising the following amounts:

a) reinsurance expenses;
b) incurred claims recovery;
c) other incurred directly attributable insurance service expenses;
d) effect of changes in risk of reinsurer non-performance;
e) for contracts measured under the GMM, changes that relate to future service (i.e. changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts); and
f) changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

a) insurance claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components.
b) changes in the risk adjustment for non-financial risk, excluding:
   - changes included in finance income (expenses) from reinsurance contracts held; and
   - changes that relate to future coverage (which adjust the CSM);
c) amounts of the CSM recognized in consolidated statement of income for the services received in the period; and
d) ceded premium experience adjustments relating to past and current service.

For groups of reinsurance contracts held measured under the PAA, the Group recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income or expenses
Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a) the effect of the time value of money and changes in the time value of money; and
b) the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

a) interest accreted on the FCF and the CSM;
b) the effect of changes in interest rates and other financial assumptions; and
c) foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a) interest accreted on the LIC; and
b) the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Group does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVTPL.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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.

IFRS 9 Financial Instruments - policy applied from 1 January 2023

Initial Recognition and subsequent measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)
The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments - policy applied from 1 January 2023 (continued)

Initial Recognition and subsequent measurement (continued)

In contrast, 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.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities
The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions:

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

Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Since the Group's financial assets (cash and cash equivalents and short term deposits) meet these conditions, they are subsequently measured at amortised cost.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flow, cash and cash equivalent consist of cash on hand and at banks and short-term deposits and call accounts.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments - policy applied from 1 January 2023 (continued)

<u>Initial Recognition and subsequent measurement (continued)</u>

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated statement of income. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. The management classifies certain equity investments at FVOCI and are separately disclosed in the consolidated statement of financial position.

Debt instruments at FVOCI
The Group applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

This category only includes debt instruments, which the Group intends to hold for the foreseeable future, and which may be sold in response to needs for liquidity or in response to changes in market conditions. The Group classified its debt instruments at FVOCI. Debt instruments at FVOCI are subject to an impairment assessment under IFRS 9.

Financial assets at FVTPL
The Group classifies financial assets fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities that have been acquired principally for the purpose of selling or repurchasing in the near term and certain debt instruments that failed the SPPI test.

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

- *the rights to receive cash flows from the asset have expired.*
- *the Group has transferred its contractual 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 pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments - policy applied from 1 January 2023 (continued)

Impairment of financial assets
The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost and debt investments measured at FVOCI.

The measurement of ECL reflects:

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

Expected credit losses are recognized in two stages, 12-month expected credit losses and Lifetime expected credit losses.
The Group measures 12-month expected credit losses in following cases:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Credit impaired financial assets:
At each reporting date, the Group assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit impaired. The Group considers a financial asset to be in default (credit impaired) when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are past due or there is a downgrade in credit ratings by two notches or more compare to the credit rating at the beginning of the financial reporting period.

Recognition of ECL
Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset (either partially or in full), the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease is related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed in profit or loss.

Presentation of loss allowances in the consolidated statement of financial position:
Loss allowances for expected credit losses are presented as follows:

- financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets;
- the ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in the statement of comprehensive income with a corresponding charge to the consolidated statement of income.

The calculation of ECLs
the management has applied the standard's simplified approach and has determined lifetime expected credit losses on these instruments. The management has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the counter parties and the economic environment. The management considers a financial asset in default when the contractual payments are passing the default point. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments - policy applied from 1 January 2023 (continued)

Impairment of financial assets (continued)

Write offs
Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these consolidated financial statements.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments (*policy applied before 1 January 2023)*
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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued) (*policy applied before 1 January 2023)*

(i) Financial assets (continued)

Subsequent measurement (continued)
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 consolidated 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 consolidated 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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued) (*policy applied before 1 January 2023)*

(i) Financial assets (continued)

Derecognition *(continued)*
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.

(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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

(iii) Financial liabilities (continued)

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.

Impairment of non-financial assets

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

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 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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.

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 consolidated 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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.

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 consolidated 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.

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).

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

Revenue recognition
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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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.

2.6 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 accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Insurance and reinsurance contracts

i. PAA Eligibility Assessment
The Group has calculated a Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for those groups of insurance contracts written and reinsurance contracts held respectively where the coverage period was more than one year except long term life insurance contracts for which has been applied. This testing has been performed on following insurance and corresponding reinsurance contracts:
- Engineering
- General Accident
- Motor
- Individual Life

After calculating the liabilities/assets applying PAA and GMM approach respectively, Group then checks for any material differences for the contracts with coverage period of more than one year. In case the Group notes any material differences, it follows the GMM approach, and where there is no material difference, the Group has opted for PAA approach. The calculation was performed under both simplified approaches i.e., Premium Allocation Approach (PAA) and General Measurement Model (GMM).

Situations, which may cause the LRC and / or ARC under the PAA to differ from the LRC and / or ARC under the GMM:
- When the expectation of the profitability for the remaining coverage changes at a particular valuation date during the coverage period of a group of contracts;
- If yield curves change significantly from those in place at the group's initial recognition;
- When the incidence of claims occurrence differs from the coverage units; and
- The effect of discounting under the GMM creates an inherent difference, this difference compounds over longer contract durations.

Upon analysis of the possible differences between LRC and / or ARC applying the PAA and GMM approach, respectively, the Group noted material differences for contracts with coverage period of more than one year for Individual Life contracts. Hence, the Group has reported these under GMM while others where the difference is not material are reported using the PAA approach maintaining a consistent accounting treatment to the rest of the portfolio of insurance contracts issued and reinsurance contracts held that have a coverage period of up to one year. The Group assesses materiality at each respective group of contracts level (GoCs) and at an aggregate insurance contract liabilities / re-insurance contract assets level using pre-determined quantitative threshold for differences at the GoCs.

ii. Liability for remaining coverage
Acquisition cash flows
For insurance acquisition cash flows, the Group is eligible and chooses to recognize the payments as an expense immediately (coverage period of a year or less). However, the Group has opted to capitalize the insurance acquisition cash flows.

The effect of recognizing insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to consolidated statement of income on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

ii. Liability for remaining coverage (continued)

Expected premium receipts adjustment
Insurance revenue will be adjusted with the amounts of expected premium receipts adjustment calculated on premiums not yet collected as of the date of the consolidated statement of financial position. The computation is performed using IFRS 9 simplified approach to calculate Expected Credit Loss (ECL) allowance. The corresponding impact of this adjustment is recorded in the LRC.

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

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

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

iv. Onerousity determination
For contracts measured under GMM, A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the consolidated statement of income in insurance service expense. The loss component is then amortized to consolidated statement of income over the coverage period to offset incurred claims in insurance service expense.

For contracts measured under PAA, the Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

The Group also considers facts and circumstances to identify whether a group of contracts are onerous based on the following key inputs:

- Pricing information: Underwriting combined ratios and price adequacy ratios.
- Historical combined ratio of similar and comparable sets of contracts.
- Any relevant inputs from underwriters;
- Other external factors such as inflation and change in market claims experience or change in regulations; and
- For subsequent measurement, the Group also relies on the same group of contracts' weighted actual emerging experience.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

v. Expense attribution
The Group identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling /maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses). Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the consolidated statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

The Group has determined costs directly identified to the groups of contracts, as well as costs where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses and overheads are recognized in the consolidated statement of income immediately when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

vi. Estimates of future cash flows
The Group primarily uses probabilistic projections to estimate the present value of future cash flows.

The following assumptions were used when estimating future cash flows:

- **Mortality and morbidity rates (insurance risk and reinsurance business)**

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. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type. An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Group.

- **Longevity (immediate annuity business)**

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by several factors including (but not limited to) policyholder gender, underwriting class and contract type. An increase in expected longevity rates will lead to an increase in the expected cost of immediate annuity payments which will reduce future expected profits of the Group.

- **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 expected level of expenses will reduce future expected profits of the Group. The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. (Such overheads are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics).

- **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 Company'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 of the Group, but later increases are broadly neutral in effect.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

vi. Estimates of future cash flows (continued)

- **Lapse and surrender rates (continued)**

The assumptions that have the greatest effect on the expected cash flows are listed below. The table sets out the percentage assumed to apply to industry mortality and morbidity tables in estimating fulfilment cash flows:

Portfolio assumptions by type of business impacting net liabilities	Mortality and morbidity rates 2023	2022	Lapse and surrender rates 2023	2022
Life insurance contracts issued				
- Males	100% as per	100% as per		
- Females	reinsurer	reinsurer	**3%**	0%
Life reinsurance contracts issued				
- Males	100% as per	100% as per		
- Females	reinsurer	reinsurer	**3%**	0%

vii. Discount rates

The Group adopt a bottom-up approach in deriving appropriate discount rates. The starting point for these discount rates will be appropriate reference liquid risk-free curves– taking consideration for the currency characteristics of the contracts and their respective cashflows. The risk-free reference curve will be the US Treasury Curve, and the relevant country specific credit risk premium will be loaded as required.

The bottom-up approach was used to derive the discount rate for the cash flows that do not vary based on the returns on underlying items in the Participating contracts (excluding investment contracts without DPF that are not in the scope of IFRS 17). Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The risk-free yield was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with AAA credit rating were used. Management uses judgement to assess liquidity characteristics of the liability cash flows. Direct participating contracts and investment contracts with DPF are considered less liquid than the financial assets used to derive the risk-free yield. For these contracts, the illiquidity premium was estimated based on market observable liquidity premium in financial assets adjusted to reflect the illiquidity characteristics of the liability cash flows.

viii. Risk adjustments

IFRS 17 requires to measure insurance contracts at initial recognition as the sum of the following items

- Future Cash Flow (FCF) and comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate discounting structure
- Risk Adjustment (RA) for non-financial risk
- Contractual Service Margin (CSM)

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.

Derivation of the risk adjustment

The Group has determined that the derivation of the risk adjustment shall be performed at the operating Group level using an appropriate methodology that is in line with IFRS 17 guidelines.

The Risk Adjustment for the Liability for Incurred Claims (LIC) has been estimated based the quantile approach performed on Group's triangles with consideration to market benchmarks.

The Group will set a confidence level in the range of the 65% to 70% percentile, on a diversified basis. The Group applies judgment to determine the appropriate Risk Adjustment based on the non-financial risks associated with their portfolios of insurance contracts to determine the desired Risk Adjustment.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

ix. Sensitivities on major assumptions considered while applying IFRS 17
The sensitivity analysis is done to evaluate the impact on gross and net liabilities, profit / loss before tax and equity for reasonably possible movements in key assumptions. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are nonlinear. The sensitivity analysis performed during the year and has been presented under Note 20.

x. Provision for expected credit losses
The Group uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

xi. Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

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.

3 INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

		31 December 2023			31 December 2022		
	Valuation Approach	**Assets KD**	**Liabilities KD**	**Net KD**	Assets KD	Liabilities KD	Net KD
Insurance contract assets & liabilities							
Medical	**PAA**	-	(9,933,279)	(9,933,279)	-	(6,917,179)	(6,917,179)
Group life	**PAA**	-	(6,157,424)	(6,157,424)	-	(5,437,892)	(5,437,892)
Motor	**PAA**	-	(8,682,784)	(8,682,784)	-	(6,278,407)	(6,278,407)
Marine & aviation	**PAA**	-	(1,064,257)	(1,064,257)	-	(783,773)	(783,773)
Fire	**PAA**	-	(4,590,798)	(4,590,798)	-	(3,418,315)	(3,418,315)
General accident	**PAA**	-	(7,257,809)	(7,257,809)	-	(11,364,508)	(11,364,508)
Total – PAA (Note 3.1)		-	**(37,686,351)**	**(37,686,351)**	-	(34,200,074)	(34,200,074)
Individual life	**GMM**	-	(1,660,861)	(1,660,861)	-	(1,557,321)	(1,557,321)
Total – GMM (Note 3.2)		-	**(1,660,861)**	**(1,660,861)**	-	(1,557,321)	(1,557,321)
Total insurance contract assets & liabilities		-	**(39,347,212)**	**(39,347,212)**	-	(35,757,395)	(35,757,395)
Reinsurance contract assets & liabilities							
Medical	**PAA**	2,286,295	-	2,286,295	1,166,548	-	1,166,548
Group life	**PAA**	4,238,776	-	4,238,776	5,773,667	-	5,773,667
Motor	**PAA**	1,529,840	-	1,529,840	699,851	-	699,851
Marine & aviation	**PAA**	1,027,519	-	1,027,519	692,623	-	692,623
Fire	**PAA**	3,950,977	-	3,950,977	6,619,773	-	6,619,773
General accident	**PAA**	8,543,554	-	8,543,554	9,143,920	-	9,143,920
Total – PAA (Note 3.3)		**21,576,961**	-	**21,576,961**	24,096,382	-	24,096,382
Individual life	**GMM**	13,480	-	13,480	-	-	-
Total – GMM		**13,480**	-	**13,480**	-	-	-
Total reinsurance contract assets & liabilities		**21,590,441**	-	**21,590,441**	24,096,382	-	24,096,382

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

3.1 Analysis of insurance contract assets and liabilities for contracts measured under PAA

	31 December 2023					31 December 2022				
	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)			Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		
	Excluding loss component *KD*	**Loss component** *KD*	**Estimates of the present value of future cash flows** *KD*	**Risk adjustment** *KD*	**Total** *KD*	Excluding loss component *KD*	Loss component *KD*	Estimates of the present value of futurecash flows *KD*	Risk adjustment *KD*	Total *KD*
Opening liabilities	(4,083,280)	-	(29,594,460)	(522,334)	(34,200,074)	(4,789,864)	-	(55,258,000)	(1,830,633)	(61,878,497)
Opening assets	-	-	-	-	-	-	-	-	-	-
Net opening balance	**(4,083,280)**	**-**	**(29,594,460)**	**(522,334)**	**(34,200,074)**	(4,789,864)	-	(55,258,000)	(1,830,633)	(61,878,497)
ECL impact (Note 2.3.1)	(5,838,727)	-	-	-	(5,838,727)	-	-	-	-	-
Net opening balance – after IFRS 9 adoption	**(9,922,007)**	-	**(29,594,460)**	**(522,334)**	**(40,038,801)**	(4,789,864)	-	(55,258,000)	(1,830,633)	(61,878,497)
Insurance revenue	**42,880,685**	**-**	**-**	**-**	**42,880,685**	39,567,308	-	-	-	39,567,308
Insurance service expenses										
Incurred benefits and expenses	-	-	(10,404,609)	(91,180)	(10,495,789)	-	-	(21,522,800)	(350,038)	(21,872,838)
Changes that relate to past service - adjustments to LFRC	-	-	(8,103,843)	77,462	(8,026,381)	-	-	25,308,761	1,658,337	26,967,098
Amortisation of insurance acquisition cash flows	(1,832,323)	-	-	-	(1,832,323)	(1,907,364)	-	-	-	(1,907,364)
Insurance service expenses	**(1,832,323)**	-	**(18,508,452)**	**(13,718)**	**(20,354,493)**	(1,907,364)	-	3,785,961	1,308,299	3,186,896
Insurance service result	**41,048,362**	-	**(18,508,452)**	**(13,718)**	**22,526,192**	37,659,944	-	3,785,961	1,308,299	42,754,204
Net finance expense/(income) from insurance contracts	-	-	(938,343)	-	(938,343)	-	-	359,022	-	359,022
Total changes in the consolidated statement of income	**41,048,362**	-	**(19,446,795)**	**(13,718)**	**21,587,849**	37,659,944	-	4,144,983	1,308,299	43,113,226
Cash flows										
Premiums received	**(42,574,005)**	-	-	-	**(42,574,005)**	(38,856,717)	-	-	-	(38,856,717)
Claims paid	-	-	**17,905,731**	-	**17,905,731**	-	-	18,378,263	-	18,378,263
Directly attributable non- acquisition expenses paid	-	-	**3,679,930**	-	**3,679,930**	-	-	3,140,294	-	3,140,294
Insurance acquisition cash flows	**1,752,945**	-	-	-	**1,752,945**	1,903,357	-	-	-	1,903,357
Total cash flows	**(40,821,060)**	-	**21,585,661**	-	**(19,235,399)**	(36,953,360)	-	21,518,557	-	(15,434,803)
Net closing balance	**(9,694,705)**	-	**(27,455,594)**	**(536,052)**	**(37,686,351)**	(4,083,280)	-	(29,594,460)	(522,334)	(34,200,074)
Closing liabilities	**(9,694,705)**		**(27,455,594)**	**(536,052)**	**(37,686,351)**	(4,083,280)	-	(29,594,460)	(522,334)	(34,200,074)
Closing assets	-	-	-	-	-	-	-	-	-	-
Net closing balance	**(9,694,705)**	-	**(27,455,594)**	**(536,052)**	**(37,686,351)**	(4,083,280)	-	(29,594,460)	(522,334)	(34,200,074)

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

3.2 Analysis of insurance contract assets and liabilities for contracts measured under GMM

	31 December 2023					31 December 2022				
	LRC		**LIC**			LRC		LIC		
	Excluding loss component *KD*	**Loss component** *KD*	**Estimates of the present value of future cash flows** *KD*	**Risk adjustment** *KD*	**Total** *KD*	Excluding loss component *KD*	Loss component *KD*	Estimates of the present value of future cash flows *KD*	Risk adjustment *KD*	Total *KD*
Opening liabilities	**(1,492,416)**	**(22,782)**	**(40,107)**	**(2,016)**	**(1,557,321)**	(1,746,260)	(131,838)	(39,116)	(1,956)	(1,919,170)
Opening assets	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Net opening balance	**(1,492,416)**	**(22,782)**	**(40,107)**	**(2,016)**	**(1,557,321)**	(1,746,260)	(131,838)	(39,116)	(1,956)	(1,919,170)
Insurance revenue:										
Insurance revenue	**309,109**	**-**	**-**	**-**	**309,109**	214,449	-	-	-	214,449
Insurance service expenses										
Incurred benefits and expenses	**-**	**-**	**(254,338)**	**(11,804)**	**(266,142)**	-	-	(187,708)	(10,852)	(198,560)
Changes that relate to past service - adjustments to LIC	**-**	**-**	**-**	**12,106**	**12,106**	-	-	-	10,792	10,792
Losses on onerous contracts and reversal of those losses	**-**	**(67,479)**	**-**	**-**	**(67,479)**	-	111,003	-	-	111,003
Insurance service expenses	**-**	**(67,479)**	**(254,338)**	**302**	**(321,515)**	-	111,003	(187,708)	(60)	(76,765)
Insurance service result	**309,109**	**(67,479)**	**(254,338)**	**302**	**(12,406)**	214,449	111,003	(187,708)	(60)	137,684
Finance expenses from insurance contracts issued	**(143,390)**	**9,865**	**194**	**-**	**(133,331)**	268,006	(1,947)	-	-	266,059
Total changes in the consolidated statement of income and OCI	**165,719**	**(57,614)**	**(254,144)**	**302**	**(145,737)**	482,455	109,056	(187,708)	(60)	403,743
Cash flows:										
Premiums received	**(215,270)**	**-**	**-**	**-**	**(215,270)**	(228,611)	-	-	-	(228,611)
Claims paid	**-**	**-**	**238,370**	**-**	**238,370**	-	-	178,309	-	178,309
Directly attributable non-acquisition expenses paid	**-**	**-**	**19,097**	**-**	**19,097**	-	-	8,408	-	8,408
Net Cash flows	**(215,270)**	**-**	**257,467**	**-**	**42,197**	(228,611)	-	186,717	-	(41,894)
Net closing balance	**(1,541,967)**	**(80,396)**	**(36,784)**	**(1,714)**	**(1,660,861)**	(1,492,416)	(22,782)	(40,107)	(2,016)	(1,557,321)
Closing liabilities	**(1,541,967)**	**(80,396)**	**(36,784)**	**(1,714)**	**(1,660,861)**	(1,492,416)	(22,782)	(40,107)	(2,016)	(1,557,321)
Closing assets	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Net closing balance	**(1,541,967)**	**(80,396)**	**(36,784)**	**(1,714)**	**(1,660,861)**	(1,492,416)	(22,782)	(40,107)	(2,016)	(1,557,321)

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

3.2.1 Reconciliation of insurance contract assets and liabilities by components for contracts measured under GMM

	31 December 2023				31 December 2022			
	Estimates of the present value of future cash flows *KD*	**Risk Adjustment for non-financial risk** *KD*	**Contractual Service Margin (CSM)** *KD*	**Total** *KD*	Estimates of the present value of future cash flows *KD*	Risk Adjustment for non-financial risk *KD*	Contractual Service Margin (CSM) *KD*	Total *KD*
Opening liabilities	**(1,109,713)**	**(52,987)**	**(394,621)**	**(1,557,321)**	(1,569,783)	(69,648)	(279,739)	(1,919,170)
Opening assets	-	-	-	-	-	-	-	-
Net opening balance	**(1,109,713)**	**(52,987)**	**(394,621)**	**(1,557,321)**	(1,569,783)	(69,648)	(279,739)	(1,919,170)
Changes that relate to current services:								
CSM recognized in consolidated statement of income for services provided	**-**	**-**	**97,548**	**97,548**	-	-	13,403	13,403
Changes in risk adjustment for risks expired	**-**	**4,290**	**-**	**4,290**	-	3,840	-	3,840
Experience adjustment-arising from premium received in the period that related to past service	**(44,864)**	**(11,804)**	**-**	**(56,668)**	22,776	(10,852)	-	11,924
Changes that relate to future services:								
- Changes in estimates that adjust CSM	**306,210**	**10,491**	**(316,701)**	**-**	110,758	6,951	(117,709)	-
- Changes in estimates that result in onerous contracts or reversal of losses	**(71,842)**	**2,160**	**-**	**(69,682)**	91,794	5,931	-	97,725
Changes that relate to past services:								
Changes relating to liabilities for incurred claims	**176**	**11,930**	**-**	**12,106**	-	10,792	-	10,792
Insurance service result	**189,680**	**17,067**	**(219,153)**	**(12,406)**	225,328	16,662	(104,306)	137,684
Net finance expense/(income) from insurance contracts	**(118,187)**	**-**	**(15,144)**	**(133,331)**	276,855	-	(10,796)	266,059
Total changes in the consolidated statement of income	**71,493**	**17,067**	**(234,297)**	**(145,737)**	502,183	16,662	(115,102)	403,743
Cash flows:								
Premiums received	**(215,270)**	**-**	**-**	**(215,270)**	(228,611)	-	-	(228,611)
Claims paid	**238,370**	**-**	**-**	**238,370**	178,309	-	-	178,309
Directly attributable non- acquisition expenses paid	**19,097**	**-**	**-**	**19,097**	8,408	-	-	8,408
Total cash flows	**42,197**	**-**	**-**	**42,197**	(41,894)	-	-	(41,894)
Net closing balance	**(996,023)**	**(35,920)**	**(628,918)**	**(1,660,861)**	(1,109,494)	(52,986)	(394,841)	(1,557,321)
Closing liabilities	**(996,023)**	**(35,920)**	**(628,918)**	**(1,660,861)**	(1,109,494)	(52,986)	(394,841)	(1,557,321)
Closing assets	**-**	**-**	**-**	**-**	-	-	-	-
Net closing balance	**(996,023)**	**(35,920)**	**(628,918)**	**(1,660,861)**	(1,109,494)	(52,986)	(394,841)	(1,557,321)

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

3.3 Analysis of reinsurance contract assets and liabilities for contracts measured under PAA

	31 December 2023					31 December 2022				
	Assets for remaining coverage (ARC)		**Assets for amounts recoverable on incurred claims (AIC)**			Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**	Excluding loss component	Loss component	Estimates of the present value of futurecash flows	Risk adjustment	Total
	KD	***KD***	***KD***	***KD***	***KD***	*KD*	*KD*	*KD*	*KD*	*KD*
Opening liabilities	-	-	-	-	-	-	-	-	-	-
Opening assets	**1,984,844**	-	**21,867,199**	**244,339**	**24,096,382**	1,954,221	-	48,445,487	1,498,578	51,898,286
Net opening balance	**1,984,844**	-	**21,867,199**	**244,339**	**24,096,382**	1,954,221	-	48,445,487	1,498,578	51,898,286
Changes in the consolidated statement of income										
Allocation of reinsurance premiums	**(16,158,887)**	-	-	-	**(16,158,887)**	(17,369,479)	-	-	-	(17,369,479)
Amounts recoverable from reinsurers										
- Amounts recoverable for claims and other expenses	-	-	**2,045,286**	**8,685**	**2,053,971**	-	-	6,254,241	94,071	6,348,312
- Changes that relate to past service - adjustments to LIC	-	-	**737,807**	**45,121**	**782,928**	-	-	(25,031,233)	(1,348,310)	(26,379,543)
- Effect of changes in the risk of reinsurers non-performance	-	-	**(14,484)**	-	**(14,484)**	-	-	-	-	-
- Expenses directly attributable to reinsurance	-	-	**(180,750)**	-	**(180,750)**	-	-	(153,435)	-	(153,435)
Total reinsurance recoverable for incurred claims	-	-	**2,587,859**	**53,806**	**2,641,665**	-	-	(18,930,427)	(1,254,239)	(20,184,666)
Net income or expense from reinsurance contract held	**(16,158,887)**	-	**2,587,859**	**53,806**	**(13,517,222)**	(17,369,479)	-	(18,930,427)	(1,254,239)	(37,554,145)
Reinsurance finance income through profit and loss	-	-	**(618,906)**	-	**(618,906)**	-	-	(196,318)	-	(196,318)
Total changes in the consolidated statement of income	**(16,158,887)**	-	**1,968,953**	**53,806**	**(14,136,128)**	(17,369,479)	-	(19,126,745)	(1,254,239)	(37,750,463)
Cash flows										
Premiums paid	**16,155,437**	-	-	-	**16,155,437**	17,400,102	-	-	-	17,400,102
Directly attributable expenses paid	-	-	**180,750**	-	**180,750**	-	-	153,435	-	153,435
Recoveries from reinsurance	-	-	**(4,719,480)**	-	**(4,719,480)**	-	-	(7,604,978)	-	(7,604,978)
Total cash flows	**16,155,437**	-	**(4,538,730)**	-	**11,616,707**	17,400,102	-	(7,451,543)	-	9,948,559
Net closing balance	**1,981,394**	-	**19,297,422**	**298,145**	**21,576,961**	1,984,844	-	21,867,199	244,339	24,096,382
Closing liabilities	-	-	-	-	-		-	-	-	-
Closing assets	**1,981,394**	-	**19,297,422**	**298,145**	**21,576,961**	1,984,844	-	21,867,199	244,339	24,096,382
Net closing balance	**1,981,394**	-	**19,297,422**	**298,145**	**21,576,961**	1,984,844	-	21,867,199	244,339	24,096,382

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

3.4 Net Insurance service results:

The breakdown of insurance service income and reinsurance contracts held by valuation approach is set out in the table below:

Valuation Approach	PAA		GMM		Total	
	2023	2022	**2023**	2022	**2023**	2022
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Insurance Service Revenue	**42,880,685**	39,567,308	**309,109**	214,449	**43,189,794**	39,781,757
Insurance service expenses	**(20,354,493)**	3,186,896	**(321,515)**	(76,765)	**(20,676,008)**	3,110,131
Insurance service result before reinsurance contracts held	**22,526,192**	42,754,204	**(12,406)**	137,684	**22,513,786**	42,891,888
Amounts recoverable from reinsurers for incurred claims	**2,641,665**	(20,184,666)	-	-	**2,641,665**	(20,184,666)
Allocation of reinsurance premiums	**(16,158,887)**	(17,369,479)	**(52,808)**	-	**(16,211,695)**	(17,369,479)
Net expense from reinsurance contracts held	**(13,517,222)**	(37,554,145)	**(52,808)**	-	**(13,570,030)**	(37,554,145)
Insurance service result	**9,008,970**	5,200,059	**(65,214)**	137,684	**8,943,756**	5,337,743

3.5 CSM recognition in profit or loss

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

	2023					
	Up to 1 year	**1–2 years**	**2-3 years**	**3-4 years**	**>4 years**	**Total**
	KD	***KD***	***KD***	***KD***	***KD***	***KD***
Insurance contract issued	**(60,007)**	**(73,598)**	**(44,759)**	**(48,773)**	**(401,781)**	**(628,918)**
Reinsurance contract held	**263**	**279**	**296**	**317**	**16,238**	**17,393**

	2022					
	Up to 1 year	1–2 years	2-3 years	3-4 years	>4 years	Total
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
Insurance contract issued	(21,856)	(24,766)	(25,076)	(22,584)	(300,559)	(394,841)

4 NET INVESTMENT INCOME / EXPENSE

	2023 *KD*	*2022* *KD*
Dividend income	**1,099,763**	916,097
Interest income	**946,249**	566,061
Realized gain from financial assets at fair value through profit or loss	**50,213**	83,880
Gain on sale of investment in an associate	**307,095**	-
Share of results of associates	**345,539**	461,398
Unrealised gain (loss) of financial assets at fair value through profit or loss	**351,220**	(718,747)
	3,100,079	1,308,689
Investment expense	**(621,992)**	(313,540)
	2,478,087	995,149

5 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:

	2023	*2022* *Restated*
Profit for the year attributable to equity holders of the parent company (KD)	**7,090,281**	4,861,551
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares) (Shares)	**240,868,576**	242,707,723
Earnings per share	**29.44 Fils**	20.03 Fils

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

Earnings per share calculation for the period ended 31 December 2023 and 31 December 2022 have been adjusted to take account of the bonus shares proposed to be issued in 2023 (Note 12).

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.

6 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 2023	**8,625,006**	**882,658**	**1,811,558**	**391,691**	**11,710,913**
Additions	**-**	**57,917**	**38,802**	**750**	**97,469**
As at 31 December 2023	8,625,006	940,575	1,850,360	392,441	11,808,382
Depreciation:					
As at 1 January 2023	2,049,263	657,105	1,699,575	-	4,405,943
Charge for the year	118,807	73,998	39,054	-	231,859
As at 31 December 2023	2,168,070	731,103	1,738,629	-	4,637,802
Net carrying amount:					
As at 31 December 2023	**6,456,936**	**209,472**	**111,731**	**392,441**	**7,170,580**

6 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 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**

Land and buildings with a net carrying value of KD Nil (2022: KD 775,000) are under lien to the Insurance Regulation Unit.

7 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Ownership percentage **2023**	*Ownership percentage* *2022*	*Country of incorporation*	***2023 KD***	*2022 KD*
KIB Takaful Insurance Company K.S.C.C.	**25.70%**	25.70%	Kuwait	**3,687,314**	3,693,448
Partners Properties Company – WLL.	**Nil%**	40.50%	Kuwait	**-**	4,637,348
				3,687,314	8,330,796

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

	2023 KD	*2022 KD*
Carrying value as at 1 January	**8,330,796**	8,076,790
Disposal of investment in associate*	**(4,692,905)**	-
Share of results of associates (Note 4)	**345,539**	461,398
Share of other comprehensive income	**5,285**	(27,492)
Dividends	**(301,401)**	(179,900)
Carrying value as at 31 December	**3,687,314**	8,330,796

*During the current year, the Parent Company signed an agreement with a related party (Note 17) to purchase financial assets at fair value through other comprehensive income with a fair value of KD 9,492,000 in exchange of investment in associate and cash consideration by KD 4,492,000 as a result the Parent Company recorded a gain from sale of investment in associate amounting to KD 307,095 (Note 4).

7 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 associates' financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

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

	2023 KD	*2022 KD*
Current assets	**7,137,957**	7,123,818
Non- current assets	**8,409,831**	8,430,704
Current liabilities	**(29,966)**	(383,130)
Non-Current liabilities	**(1,170,298)**	(800,000)
Equity	**14,347,524**	14,371,392
Revenue	**719,803**	706,555
Profit for the year	**636,348**	626,140
Other comprehensive income for the year	**20,566**	(106,973)
Total comprehensive income for the year	**656,914**	519,167

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.

	2023 KD	*2022 KD*
Net assets of the associate	**14,347,524**	14,371,392
Proportion of the Group's ownership interest	**25.7%**	25.7%
Carrying amount of the Group's interest	**3,687,314**	3,693,448

Partners Properties Company – W.L.L.

	2023 KD	*2022 KD*
Current assets	**-**	802,732
Non- current assets	**-**	11,400,000
Current liabilities	**-**	(752,491)
Equity	**-**	11,450,241
Revenue	**-**	640,972
Profit for the year	**-**	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.

	2023 KD	*2022 KD*
Net assets of the associate	**-**	11,450,241
Proportion of the Group's ownership interest	**-**	40.5%
Carrying amount of the Group's interest	**-**	4,637,348

8 INVESTMENT ASSETS

	2023	*2022*
	KD	*KD*
Financial assets at fair value through other comprehensive income	**26,072,733**	21,796,472
Financial assets at fair value through profit or loss	**20,238,608**	11,574,143
	46,311,341	33,370,615

	2023	*2022*
Financial assets at fair value through other comprehensive income	***KD***	*KD*
Quoted securities *	**15,256,932**	12,297,580
Unquoted securities	**10,323,037**	603,569
Investment in bonds	**492,764**	8,895,323
	26,072,733	21,796,472

Financial assets at fair value through other comprehensive income denominated in the following currencies:

	2023	*2022*
	KD	*KD*
Local currency (KD)	**20,465,539**	12,908,918
Foreign currencies	**5,607,194**	8,887,554
	26,072,733	21,796,472

	2023	*2022*
Financial assets at fair value through profit or loss	***KD***	*KD*
Quoted shares	**1,595,260**	2,130,762
Investments in fund	**1,594,966**	1,412,696
Investments in portfolio **	**17,048,382**	8,030,685
	20,238,608	11,574,143

* Quoted shares with a fair value of KD 2,995,725 (2022: KD 1,993,118) are under lien to the Insurance Regulation Unit.

** Bonds carry interest rate ranging from 3.63% to 5.75% (2022: 3.63% to 5.75%) per annum, mature in 10 years. Bonds amounting KD 5,300,000 (2022: KD 5,300,000) are carried at cost less impairment loss since their fair values cannot be reliably determined.

9 OTHER ASSETS

	2023	*2022*
	KD	*KD*
Due from staff	**29,716**	41,616
Accrued income	**314,375**	267,865
Prepaid expenses	**230,511**	259,847
Refundable deposit	**13,180**	13,180
Others	**408,878**	379,168
	996,660	961,676

10 TERM DEPOSITS

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

Term 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 2022: KD 1,800,000).

The effective interest rate on term deposits was 4.60% to 5.80% (31 December 2022: 5.19% to 5.80%) per annum.

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 800,000 for reinsurance.

11 CASH AND CASH EQUIVALENTS

	2023	*2022*
	KD	*KD*
Cash on hand	**17,631**	25,194
Cash in portfolio	**285,662**	180,447
Short term deposit (Maturity within 3 months ending period)	**489,665**	1,800,000
Bank balances	**4,581,567**	4,847,607
Cash and cash equivalents	**5,374,525**	6,853,248

The effective interest rate on short term deposits was 5.01% (31 December 2022: 2.125% to 5.190%) per annum.

12 SHARE CAPITAL AND CASH DIVIDENDS

The authorised, issued, and fully paid-up share capital comprises of 250,000,000 shares of 100 fils each (2022: 177,108,460 shares of 100 fils each) fully paid up in cash.

Cash dividend and bonus shares

The Board of Directors' meeting held on 10 March 2024 recommended to distribute cash dividends of 10% for the year ended 31 December 2023 (2022: 8%), in addition to bonus share 2% (2022: 41.16%). This recommendation is subject to the approval of the Parent Company's Annual General Assembly and completion of legal formalities.

The Annual General Assembly of the shareholders of the Parent Company was held on 26 March 2023 approved the consolidated financial statements for the year ended 31 December 2022 and the distribution of cash dividends of 8% for the year ended 31 December 2022 (2021: 10%), in addition to increase the share capital from KD 17,710,846 to KD 25,000,000 by the issuance of 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. The change has been notarized in the Parent Company's commercial register dated 30 April 2023.

13 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. On 8 August 2023, the board of directors of the Parent Company proposed to utilize the statutory reserve for the purpose of extinguishing of accumulated losses amounting to KD 4,960,636, which is approved by the General Assembly meeting hold on 27 September 2023.

As of 31 December 2023, the Parent Company transferred 10% of the profit for the year before contribution to KFAS, NLST, and Zakat.

13 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.

14 TREASURY SHARES

	2023	*2022*
Number of shares	**11,789,448**	7,605,402
Percentage of issued shares (%)	**4.72%**	3.04%
Market value (KD)	**1,187,197**	981,097

An amount of KD 1,210,017 (31 December 2022: KD 1,122,737) 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 2023 was 115 fils per share (31 December 2022: 133 fils per share).

During the current year, the Group purchased treasury shares of 10,499,073 (31 December 2022: 18,221,894) shares for total consideration amounting to KD 934,000 (31 December 2022: KD 3,347,091) and to sold treasury shares of 6,315,027 (31 December 2022: 16,411,492) shares with total consideration of KD 835,876 (31 December 2022: KD 3,034,694).

15 OTHER LIABILITIES

	2023 ***KD***	*2022* *KD*
Provision for end of service indemnity	**1,866,048**	1,868,039
NLST and Zakat payables	**131,726**	133,942
KFAS payable	**151,896**	82,028
Dividends payable	**1,310,569**	1,277,846
Accrued staff leave	**337,057**	345,888
Accrued expenses	**1,205,274**	718,887
Considerations payable for investments acquired	**4,753,080**	4,793,705
Provision for legal case (Note 18)	**500,000**	-
Other liabilities	**2,215,003**	1,640,904
	12,470,653	10,861,239

16 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 accidents: 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.

16 SEGMENT INFORMATION (continued)

(A) Segment information – Consolidated statement of income

	General risk insurance							
31 December 2023	*Marine and aviation KD*	*General accidents and fire KD*	*Motor KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Investments KD*	*Unallocated KD*	*Total KD*
Revenue:								
Insurance service result before reinsurance contracts held	**1,228,640**	**11,404,354**	**2,585,600**	**15,218,594**	**4,032,296**	**-**	**3,262,896**	**22,513,786**
Reinsurance contracts held	**(928,488)**	**(9,722,961)**	**(1,555,003)**	**(12,206,452)**	**(1,363,578)**	**-**	**-**	**(13,570,030)**
Finance expenses from insurance contracts issued	**(24,004)**	**(505,445)**	**(125,372)**	**(654,821)**	**(416,853)**	**-**	**-**	**(1,071,674)**
Finance income from reinsurance contracts held	**(17,934)**	**(469,564)**	**(27,442)**	**(514,940)**	**(103,693)**	**-**	**-**	**(618,633)**
Net investment income						**2,478,087**	**-**	**2,478,087**
Unallocated general and administrative expenses						**-**	**(2,689,116)**	**(2,689,116)**
Other income						**-**	**278,235**	**278,235**
KFAS, ZAKAT, NLST						**-**	**(205,533)**	**(205,533)**
Profit for the year						**2,478,087**	**646,482**	**7,115,122**

16 SEGMENT INFORMATION (continued)

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

31 December 2022 (restated)	*General risk insurance*							
	Marine and aviation KD	*General accidents and fire KD*	*Motor KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Investments KD*	*Unallocated KD*	*Total KD*
Revenue:								
Insurance service result before reinsurance contracts held	1,319,517	33,906,942	1,748,090	36,974,549	6,669,660	-	(752,321)	42,891,888
Reinsurance contracts held	(1,009,670)	(32,477,986)	(1,185,993)	(34,673,649)	(2,880,496)	-	-	(37,554,145)
Finance expenses from insurance contracts issued	19,799	119,547	105,314	244,660	380,421	-	-	625,081
Finance income from reinsurance contracts held	(14,314)	(108,022)	(17,518)	(139,854)	(56,464)	-	-	(196,318)
Net investment income						995,149	-	995,149
Unallocated general and administrative expenses						-	(1,942,767)	(1,942,767)
Other income						-	218,987	218,987
KFAS, ZAKAT, NLST						-	(178,599)	(178,599)
Profit for the year						995,149	(2,654,700)	4,859,276

16 SEGMENT INFORMATION (continued)

(B) Segment information – Consolidated statement of financial position

	General risk insurance KD	*Life and medical insurance KD*	*Investment KD*	*Unallocated KD*	*Total KD*
31 December 2023					
Assets	**16,697,369**	**4,893,072**	**70,515,420**	**-**	**92,105,861**
Liabilities	**27,548,688**	**16,002,423**	**8,753,080**	**3,513,674**	**55,817,865**
31 December 2022 (Restated)					
Assets	13,978,086	10,118,296	63,628,080	-	87,724,462
Liabilities	18,759,493	18,678,430	8,793,705	4,387,006	50,618,634

17 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 2023 KD***	*Total 2022 KD*
Investment activities				
Financial assets at fair value through profit or loss	**-**	**7,968,832**	**7,968,832**	8,059,282
Financial assets at fair value through other comprehensive income	**-**	**20,278,438**	**20,278,438**	7,610,154
Investments in associates	**-**	**3,687,314**	**3,687,314**	8,330,796
Term deposits	**-**	**5,175,000**	**5,175,000**	1,800,000
Cash and cash equivalents	**-**	**3,915,983**	**3,915,983**	3,464,888
Other liabilities	**-**	**4,753,080**	**4,753,080**	4,793,705
Insurance activities				
Insurance contract assets	**25,620**	**3,658,674**	**3,684,294**	5,938,283
Insurance contract liabilities	**-**	**465,488**	**465,488**	770,599

Transactions included in the consolidated statement of income:

	Parent Company's shareholders KD	***Entities under common control KD***	***Total 2023 KD***	*Total 2022 KD*
Premiums written	**16,652**	**1,851,854**	**1,868,506**	1,646,975
Claims paid	**21,539**	**1,449,949**	**1,471,488**	850,527
Dividend income	**-**	**599,629**	**599,629**	475,995
Gain from sale of investment in associate	**-**	**307,095**	**307,095**	-
Share of results of associates	**-**	**345,539**	**345,539**	461,398

Compensation to key management personnel:	***2023 KD***	*2022 KD*
Salaries and short-term employee benefits	**846,122**	829,205
Employees end of service benefits	**36,856**	72,812
	882,978	902,017

*During the current year, the Parent Company signed an agreement with a related party (Note 8) to purchase financial assets at fair value through other comprehensive income with a fair value of KD 9,492,000 in exchange of investment in associate and cash consideration by KD 4,492,000 as a result the Parent Company recorded a gain from sale of investment in associate amounting to KD 307,095 (Note 4).

18 CAPITAL COMMITMENTS AND CONTINGENCIES

	2023 KD	*2022 KD*
Letters of guarantee	**364,164**	2,780,338
Capital commitments	**6,480**	6,480

18 CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

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 2022: KD Nil).

The Group has outstanding legal case, where the customer is claiming an amount of KD 1.8 million. A preliminary verdict has been issued in the Group's favour rejecting the customer's claim. The customer appealed on 15 July 2019 and the appeal court verdict was in the favor of the Group as well, issued on 13 January 2021 the customer reappealed the verdict in Court of Cassation who has transferred the case to the primary court.

On 24 July 2023, a preliminary verdict has been issued in the customer's favour, The Group appealed the verdict and a new session is scheduled on 13 November 2023 then transferred to department of expertise. During the year, the Group has provided an amount of KD 500,000 as a provision against this legal case. The Group believes the current provision taken is adequate based on the current legal status of the legal case.

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 consolidated statement of financial position.

19 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 (2022: KD 500,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Deposits and investment amounting to KD 500,000 (2022: KD 500,000) 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 800,000 (2022: KD 800,000) 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.

20 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 consolidated 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.

20 RISK MANAGEMENT (continued)

(b) Regulatory framework (continued)

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 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

For non-life insurance contracts, the most significant risks arise from climate changes, natural disasters and manmade accidents. For longer tail claims that take some years to settle, there is also inflation risk

For life insurance contracts the Group offers individual life, 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.

For the life insurance and life reinsurance contracts for which death or disability is the insured risk, 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 objective of the Group is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Furthermore, 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 established to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly settling claims, to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

Reinsurance risks

The Group purchases reinsurance as part of its risk mitigation program. Reinsurance held (outward reinsurance) is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Retention limits for non-proportional excess–of–loss reinsurance vary by product line.

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

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

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

20 RISK MANAGEMENT (continued)

Reinsurance risks (continued)
Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Group and agreed to pre-set requirements of the Group's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As of 31 December 2023 and 31 December 2022, there is no significant concentration of reinsurance balances.

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

There is no single counterparty exposure that exceeds 50% of total reinsurance assets at the reporting date.

The nature of the Group's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous year.

The following tables show the concentration of net insurance contract liabilities by type of contract:

	31 December 2023			31 December 2022		
KD	**Insurance contracts issued**	**Reinsurance contracts held**	**Net**	Insurance contracts issued	Reinsurance contracts held	Net
Medical	**9,933,279**	**(2,286,295)**	**7,646,984**	6,917,179	(1,166,548)	5,750,631
Group life	**6,157,424**	**(4,238,776)**	**1,918,648**	5,437,892	(5,773,667)	(335,775)
Motor	**8,682,784**	**(1,529,840)**	**7,152,944**	6,278,407	(699,851)	5,578,556
Marine and aviation	**1,064,257**	**(1,027,519)**	**36,738**	783,773	(692,623)	91,150
Fire	**4,590,798**	**(3,950,977)**	**639,821**	3,418,315	(6,619,773)	(3,201,458)
General Accident	**7,257,809**	**(8,543,554)**	**(1,285,745)**	11,364,508	(9,143,920)	2,220,588
Individual life	**1,660,861**	**(13,480)**	**1,647,381**	1,557,321	-	1,557,321
Total	**39,347,212**	**(21,590,441)**	**17,756,771**	35,757,395	(24,096,382)	11,661,013

The geographical concentration of the Group's insurance contract liabilities is within Kuwait and outside of Kuwait.

Sensitivities on major assumptions considered while applying IFRS 17
The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss and equity for reasonably possible movements in key assumptions with all other assumptions.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are nonlinear.

The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

Following are the sensitivities derived for the portfolios computed under PAA approach before and after risk mitigation by reinsurance contracts held:

20 RISK MANAGEMENT (continued)

Reinsurance risks (continued)

Sensitivities on major assumptions considered while applying IFRS 17 (continued)

	31 December 2023		31 December 2022 (restated)	
KD	**Insurance contract liabilities**	**Impact on profit**	Insurance contract liabilities	Impact on profit
Insurance contract liabilities	**(37,686,351)**		(34,200,074)	
Expenses increase by 1%		**(11,014)**		(9,995)
Expenses decrease by 1%		**11,013**		9,995
Yields curve shift up by 1 %		**49,274**		44,715
Yields curve shift down by 1%		**(49,645)**		(45,052)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for year ended 31 December 2023

20 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

Sensitivities on major assumptions considered while applying IFRS 17 (continued)

Following are the sensitivities derived for the portfolios computed under PAA approach after risk mitigation by reinsurance contracts held:

	31 December 2023			31 December 2022 (Restated)		
KD	**Net insurance contract liabilities**	**Impact on profit**	**Impact on equity**	Net insurance contract liabilities	Impact on profit	Impact on equity
Insurance contract liabilities	(37,686,351)			(34,200,074)		
Reinsurance contract Assets	21,576,961			24,096,382		
Net insurance contract liabilities	**(16,109,390)**			(10,103,692)		
Expenses increase by 1%		**(11,095)**	**(11,095)**		(6,959)	(6,959)
Expenses decrease by 1%		**11,094**	**11,094**		6,958	6,958
Yields curve shift up by 1 %		**21,533**	**21,533**		13,505	13,505
Yields curve shift down by 1 %		**(21,703)**	**(21,703)**		(13,612)	(13,612)

Following are the sensitivities derived for the portfolios computed under GMM approach before risk mitigation by reinsurance contracts held:

	31 December 2023			31 December 2022 (Restated)		
KD	**Insurance contract liabilities**	**Impact on profit**	**Impact on equity**	Insurance contract liabilities	Impact on profit	Impact on equity
Insurance contract liabilities	**(1,660,861)**			(1,557,321)		
Lapse/surrenders scenario increase by 5%	**(1,672,183)**	**(11,322)**	**(11,322)**	(1,567,937)	(10,616)	(10,616)
Lapse/surrenders scenario decrease by 5%	**(1,671,430)**	**(10,569)**	**(10,569)**	(1,567,230)	(9,909)	(9,909)
Mortality increase by 5%	**(1,721,351)**	**(60,490)**	**(60,490)**	(1,614,040)	(56,719)	(56,719)
Mortality decrease by 5%	**(1,620,981)**	**39,880**	**39,880**	(1,519,927)	37,394	37,394
Expenses increase by 5%	**(1,676,756)**	**(15,895)**	**(15,895)**	(1,572,224)	(14,903)	(14,903)
Expenses decrease by 5%	**(1,665,877)**	**(5,016)**	**(5,016)**	(1,562,024)	(4,703)	(4,703)
Yields curve shift up by 5%	**(1,644,983)**	**15,878**	**15,878**	(1,542,433)	14,888	14,888
Yields curve shift down by 5%	**(1,677,127)**	**(16,266)**	**(16,266)**	(1,572,572)	(15,251)	(15,251)
Loss reserve increase by 5%	**(1,662,786)**	**(1,925)**	**(1,925)**	(1,559,125)	(1,804)	(1,804)
Loss reserve decrease by 5%	**(1,658,936)**	**1,925**	**1,925**	(1,555,515)	1,806	1,806

20 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

Following are the sensitivities derived for the portfolios computed under GMM approach after risk mitigation by reinsurance contracts held:

	31 December 2023			31 December 2022 (Restated)		
	Net insurance contract liabilities	**Impact on profit**	**Impact on equity**	Net insurance contract liabilities	Impact on profit	Impact on equity
Reinsurance contract Assets	**13,480**			-		
Lapse/surrenders scenario increase by 5%	**13,573**	**93**	**93**	-	-	-
Lapse/surrenders scenario decrease by 5%	**13,395**	**(85)**	**(85)**	-	-	-
Mortality increase by 5%	**13,296**	**(184)**	**(184)**	-	-	-
Mortality decrease by 5%	**13,676**	**196**	**196**	-	-	-
Expenses increase by 5%	**13,480**	**-**	**-**	-	-	-
Expenses decrease by 5%	**13,480**	**-**	**-**	-	-	-
Loss reserve increase by 5%	**13,480**	**-**	**-**	-	-	-
Loss reserve decrease by 5%	**13,480**	**-**	**-**	-	-	-

20 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

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.

Claims development table
31 December 2023

	2014 *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*2018* *KD*	*2019* *KD*	*2020* *KD*	*2021* *KD*	*2022* *KD*	***2023*** ***KD***	***Total*** ***KD***
Undiscounted liabilities for incurred claims, gross of reinsurance:	17,247,836	15,777,710	13,824,083	13,032,459	24,758,871	11,144,247	12,151,018	16,987,541	18,162,866	15,977,865	159,064,496
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	6,597,348	8,059,445	-
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	14,364,888	-	-
Two years later	13,513,397	14,170,444	12,448,984	11,717,075	16,564,717	9,661,036	10,514,596	14,045,650	-	-	-
Three years later	13,421,854	14,307,282	13,122,255	11,944,269	18,673,669	10,044,130	10,698,989	-	-	-	-
Four years later	13,538,187	14,875,322	13,003,671	12,194,188	24,073,150	10,121,525	-	-	-	-	-
Five years later	13,679,676	15,221,986	13,128,489	12,249,715	24,298,835	-	-	-	-	-	-
Six years later	13,768,532	15,485,275	13,182,363	12,302,802	-	-	-	-	-	-	-
Seven years later	13,815,688	15,532,734	13,184,462	-	-	-	-	-	-	-	-
Eight years later	13,807,131	15,587,540	-	-	-	-	-	-	-	-	-
Nine years later	13,809,101	-	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	**13,809,101**	**15,587,540**	**13,184,462**	**12,302,802**	**24,298,835**	**10,121,525**	**10,698,989**	**14,045,650**	**14,364,888**	**8,059,445**	**136,473,237**
Cumulative gross claims and other directly attributable expenses paid	**3,438,735**	**190,170**	**639,621**	**729,657**	**460,036**	**1,022,722**	**1,452,029**	**2,941,891**	**3,797,978**	**7,918,420**	**22,591,259**
Effect of discounting	-	-	-	-	-	-	-	-	-	-	**(1,063,719)**
Effect of the risk adjustment	-	-	-	-	-	-	-	-	-	-	**536,052**
Claims payables	-	-	-	-	-	-	-	-	-	-	**5,928,054**
Gross liabilities for incurred claims	-	-	-	-	-	-	-	-	-	-	**27,991,646**

20 RISK MANAGEMENT (continued)

(c) Insurance risk (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*
Undiscounted liabilities for incurred claims:	17,235,266	15,966,665	13,912,575	13,059,575	25,083,082	11,668,240	12,253,365	16,380,007	18,988,401	144,547,176
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	6,597,348	-
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	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	13,807,131	15,532,734	13,182,363	12,249,715	24,073,150	10,044,130	10,514,596	12,809,043	6,597,348	118,810,210
Cumulative gross claims and other directly attributable expenses paid	3,428,135	433,931	730,212	809,860	1,009,932	1,624,110	1,738,769	3,570,964	12,391,053	25,736,966
Effect of discounting	-	-	-	-	-	-	-	-	-	(1,785,592)
Effect of the risk adjustment	-	-	-	-	-	-	-	-	-	522,334
Claims payables	-	-	-	-	-	-	-	-	-	5,643,086
Gross liabilities for incurred claims	-	-	-	-	-	-	-	-	-	30,116,794

20 RISK MANAGEMENT (continued)

(d) Financial risk

Financial risk comprises of the followings:

- Liquidity Risk
- Market Risk
- Credit Risk

These risks have been briefly explained below:

1. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

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

The Group's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs.

Maturity profiles

Maturity analysis for insurance and reinsurance contract liabilities (present value of future cash flows basis)

The following table summarizes the maturity profile of groups of insurance contracts issued and reinsurance contracts held that are liabilities of the Group based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	2023						
KD	**Up to 1 Year**	**1–2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Insurance contract liabilities	**22,589,680**	**3,006,311**	**1,618,985**	**1,059,409**	**466,455**	**911,667**	**29,652,507**
Reinsurance contract assets	**16,516,630**	**1,602,088**	**915,781**	**433,075**	**128,863**	**12,610**	**19,609,047**

	2022						
KD	Up to 1 Year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Insurance contract liabilities	22,208,879	5,135,806	1,909,868	987,617	448,614	983,331	31,674,115
Reinsurance contract assets	16,513,014	3,715,939	1,217,329	541,065	124,191	-	22,111,538

20 RISK MANAGEMENT (continued)

(d) Financial risk (continued)

2. 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:

Exposure credit risk by classifying financial assets according to international credit rating agencies	***General insurance KD***	***Life and Medical insurance KD***	***Total KD***
31 December 2023			
Cash and cash equivalents - excluding cash on hand	**4,567,043**	**789,851**	**5,356,894**
Fixed deposits	**6,800,000**	**175,000**	**6,975,000**
Financial assets at fair value through other comprehensive income	**492,764**	**-**	**492,764**
Other assets - excluding prepayments	**680,196**	**85,953**	**766,149**
Total credit risk exposure	**12,540,003**	**1,050,804**	**13,590,807**

Exposure credit risk by classifying financial assets according to international credit rating agencies	*General insurance KD*	*Life and Medical insurance KD*	*Total KD*
31 December 2022			
Cash and cash equivalents - excluding cash on hand	6,175,114	652,940	6,828,054
Fixed deposits	6,806,775	-	6,806,775
Other assets - excluding prepayments	598,559	103,270	701,829
Total credit risk exposure	13,580,448	756,210	14,336,658

20 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

2. 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 2023				
Cash and cash equivalents - excluding cash on hand	**5,356,894**	**-**	**-**	**5,356,894**
Fixed deposits	**6,975,000**	**-**	**-**	**6,975,000**
Financial assets at fair value through other comprehensive income	**-**	**492,764**	**-**	**492,764**
Other assets - excluding prepayments	**314,375**	**408,878**	**42,896**	**766,149**
Total credit risk exposure	**12,646,269**	**901,642**	**42,896**	**13,590,807**

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
Other assets - excluding prepayments	267,865	379,168	54,796	701,829
Total credit risk exposure	13,902,694	379,168	54,796	14,336,658

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.

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.

20 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

3. Market risk (continued)

(i) Currency risk

		2023		2022	
	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	**594,363**	**24,638**	567,244	21,988
BHD	±5	**-**	**280,360**	-	264,550

(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 2023 and 2022.

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

(iii) Equity price risk

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

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

	Impact of profit for the year		***Impact of profit for other comprehensive income***	
Market indices	***2023 KD***	*2022 KD*	***2023 KD***	*2022 KD*
Kuwait	**159,511**	175,743	**482,487**	350,271
Other countries	**-**	1,430	**280,360**	264,608

21 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.

21 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.

	2023	*2022*
	KD	*KD*
Liabilities arising from insurance contracts	**39,347,212**	35,757,395
Other liabilities	**12,470,653**	10,861,239
Term loan	**4,000,000**	4,000,000
Less:		
Cash and cash equivalents	**(5,374,525)**	(6,853,248)
Net debt	**50,443,340**	43,765,386
Total capital	**36,287,996**	37,105,828
Total capital and net debt	**86,731,336**	80,871,214
Gearing ratio	**58%**	54%

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, insurance contract assets and reinsurance contract assets, term deposits and cash and cash equivalent. Financial liabilities consist of insurance contract assets, reinsurance contract assets, term loans and other liabilities.

The fair values of financial instruments 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 2023	***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	**13,343,642**	**1,594,966**	**5,300,000**	**20,238,608**
Financial assets at fair value though other comprehensive income	**15,749,696**	**-**	**10,323,037**	**26,072,733**
Total	**29,093,338**	**1,594,966**	**15,623,037**	**46,311,341**

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2022	*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	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

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 86 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 64 thousands.

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

	At the beginning of the year KD	***Net fair value recorded in the consolidated statement of comprehensive income KD***	***Net purchases and disposals KD***	***At the end of the year KD***
2023				
Financial assets at fair value though other comprehensive income	**603,569**	**(76,988)**	**9,642,481**	**10,323,037**
Financial assets at fair value though profit or loss	**5,300,000**	**-**	**-**	**5,300,000**
	5,903,569	**(76,988)**	**9,642,481**	**15,623,037**

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the year KD	*Net fair value recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At the end of the year KD*
2022				
Financial assets available for sale	923,118	(319,549)	-	603,569
	923,118	(319,549)	-	603,569