2023
Annual Report

الأهلية للتأمين
AL AHLEIA INSURANCE

الشركة الأهلية للتأمين ش.م.ك.ع.
AL AHLEIA INSURANCE COMPANY S.A.K.P.

Established in Kuwait on 12th June 1962
By virtue of Amiri Decree No. 37

Authorized Capital KD. 30,000,000
Issued and Paid Up Capital KD. 22,050,000
Commercial Register No. 9389
Insurance License No. 3

Registered in accordance with the law No. 125
for 2019 regarding the regulation of insurance and
its executive regulations and their amendments

2023

Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT

TABLE OF CONTENT

BOARD OF DIRECTORE & EXECUTIVE MANAGEMENT

BOARD OF DIRECTORE

Mr. Ayman Abdullateef Ali Al-Shaya
CHAIRMAN

Mr. Emad Mohammed Abdul Rahman Al-Bahar
VICE CHAIRMAN

Mr. Abdullah Mohammed Abdullah Al-Saad
DIRECTOR

Mr. Abdul Aziz Abdul Razzaq Al-Jassar
DIRECTOR

Mr. Imad Jassem Hamad Al-Sagar
DIRECTOR

Mr. Ahmed Yousef Ibrahim Al-Ghanim
DIRECTOR

Mr. Adel Mohammed Ahmed Al-Ghannam
DIRECTOR

Mr. Abdul Mohsen Jassem Mohammed Al-Kharafi
DIRECTOR

Mr. Yousef Saad Al-Saad
DIRECTOR

EXECUTIVE MANAGEMENT

Mr. Yousef Saad Al-Saad
CHIEF EXECUTIVE OFFICER

Mr. Mohammed A. Al-Saad
VICE CHIEF EXECUTIVE OFFICER

Mr. Ghazi A. Al-Roumi
ASSISTANT CEO - PRODUCTION & BRANCHES DEPT.

Mr. Mohammed A. Samour
ASSISTANT CEO - MARINE & AVIATION DEPT.

Mr. Tariq Fahad Bouresli
ASSISTANT CEO - FINANCIAL & INVESTMENT DEPT.

Mr. Tareq Khalifa Al Tamimi
SENIOR DIRECTOR - MOTOR DEPT.

Mrs. Haya Ahmad Saad Al Munaifi
DIRECTOR - LIFE & MEDICAL DEPT.

Mr. Navin Ghorawat
ACTUARY

HEAD OFFICE & BRANCHES

HEAD OFFICE
Ahmad Al-Jaber Street, Al-Sharq, Kuwait
P.O.Box 1602 Safat, Postal Code 13017
Cable: Al-Ahleia
Tel.: (965) 1888444
Fax: (965) 22430308 - 22411330
E-mail: aic@alahleia.com
www.alahleia.com

SHUWAIKH BRANCH
Banks Street, Shuwaikh
Tel./Fax: 24832183

SABHAN BRANCH
Near Banks Group, Sabhan
Tel./Fax : 24748239

HAWALLI BRANCH
Tunis street, Al-Rehab Complex, Hawalli
Tel./Fax: 22642157

AL-SOOR BRANCH
Al-Soor Street, Mounzer Tower, Al-Salheiah
Tel./Fax: 22440350

SALMIYA BRANCH
Salmiya - Salem Al Mubarak Street
The Walk Mall
Tel.: 1888444 ext. 4022

FAHAHEEL BRANCH
Al-Daboos Street, Naif Al-Daboos Complex
Tel./Fax: 23910393

AL-JEWAN BRANCH
Al-Jewan Area, Ministry of Defence Co-op.
Tel./Fax: 24992481

SUBSIDIARY COMPANIES

Kuwait Re

Kuwait Reinsurance Co. K.S.C.P.
P.O.Box 21929, Al Safat 13080, Kuwait
Tel.: (965) 22432011/2 - Fax: (965) 22427823
E-mail: kuwaitre@ kuwaitre.com
www.kuwaitre.com

Trade Union Holding Co. B.S.C. (Closed)
P.O.Box 2211, Manama, Bahrain
Tel.: (973) 17506555
Fax: (973) 17100013

SISTER COMPANIES

Al-Etihad Cooperative Insurance Co. (P.L.C.)
P.O. Box 1022, Al Khobar 31952, KSA
Tel.: (966) 8164555
Fax: (966) 8580056
E-mail: info@tui-sa.com
www.tuci-sa.com

Iraq International Insurance Co. S.A.
Iraq - Baghdad, Al Karada Al Sharkya,
Babil Neighborhood,
District No. 925
Tel.: (9647) 904277242
E-mail: aliraqintins@yahoo.com

Al-Watania Insurance Co. Y.S.C. (Closed)
Head Office - Sana'a, Yemen
P.O.Box 15497
Tel.: (9671) 272713/874
Fax: (9671) 272924
www.alwataniains.com

Burgan Insurance Company S.A.L.
(Formerly Arab Life Insurance Company S.A.L.)
E-mail: burgan@burgan-ins.com
www.burgan-ins.com

Beirut Branch
P.O.Box 11-7338 Riyad Al-Suluh,
Beirut 11072240, Lebanon
Tel.: (9611) 751851
Fax: (9611) 742569

Bhamdoon Branch
Tel.: (9615) 260300
Fax: (9615) 260311

Al-Brajna Tower Branch
Tel.: (9611) 451365

Tripoli Branch
P.O.Box: 206, Lebanon
Tel.: (9616) 627641
Fax: (9616) 441251

Saydah Branch
P.O.Box 969, Lebanon
Tel.: (9617) 728453
Fax: (9617) 728454

BANKERS

IN KUWAIT
National Bank of Kuwait S.A.K.P.
Commercial Bank of Kuwait S.A.K.P.
Gulf Bank K.S.C.P.
Al Ahli Bank of Kuwait S.A.K.P.
Ahli United Bank S.A.K.P.
Burgan Bank S.A.K.P.
Kuwait Finance House K.S.C.P.
Bank of Bahrain and Kuwait S.A.B.
Warba Bank K.S.C.P.
Boubyan Bank K.S.C.P.

ABROAD
National Bank of Kuwait, Egypt
Ahli United Bank (UK) PLC, United Kingdom
Arab African International Bank, Egypt
Bank Audi, Lebanon
Al Ahli Bank of Kuwait, Egypt

AGENDA

FOR THE SIXTY MEETING OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

1. Discussing to the Board of Directors' Report for the financial year ending 31 December 2023 and approving the same.
2. Recitation of the Corporate Governance report and Auditing Committee report for the financial year ending 31 December 2023.
3. Discussing to the Auditors' Report for the financial year ending 31 December 2023 and approving the same.
4. Discussing the Financial Statements for the financial year ending 31 December 2023 and approving the same.
5. Review the report of sanctions or infractions found by the controlling authorities for the financial year ending 31 December 2023 (if any).
6. Review the transactions with related parties that will take place during the financial year ending on 31 December 2024 and approve the transactions for the financial year ending on December 31, 2023.
7. Discussing to discount the sum of KD 1,000,000 from the profit of the financial year ending 31 December 2023 and to be added to the Special voluntary reserve.
8. Approving the recommendation of the Board of Directors to distribute dividends for the financial year ending 31 December 2023, according to the following timetable:
   a. **Cash dividend:** at 30% (thirty percent) of the paid-up capital (i.e., thirty fils per share), for the shareholders registered in the company's shareholders records, after the deduction of treasury shares, on the day of maturity according to the timetable in the disclosure form of entitlements.
   b. Distributing in-kind shares of the subsidiary (Kuwait Reinsurance Company) by 5% to the shareholders of Al Ahleia Insurance Company, i.e., five shares for every 100 shares owned by Al Ahleia shareholder, totaling 10,834,832 share of the shares owned by Al Ahleia in Kuwait Reinsurance Company, after getting approval from Boursa Kuwait and regulatory authorities.
   c. Authorizing the Board of Directors to amend the above timetable, to fulfil with the General Assembly's decision, to distribute the cash dividend, in case the publication's procedures are not completed within eight days before the maturity.
9. Discussing the proposal of the Board of Directors for distributing KD 269,360 a remuneration to the Members of the Board of Directors for the financial year ending 31 December 2023.
10. Discussing the authorization to the Board of Directors to purchase or sell shares of the Company at a percentage not exceeding 10% of the total number of the Company's shares, according to the articles of Law No. 7 for the year 2010 and its executive regulations and amendments.
11. Discussing the apportioning of an amount not more than 1% (one percent) amounting to KD 200,274 of the profit of the financial year ending 31 December 2023 for Social Responsibility for the financial year ending 31 December 2024.
12. Discussing the release of the members of the Board of Directors and release them from their legal, financial, and administrative actions for the financial year ended 31 December 2023.
13. Re-appointing of auditors from the list of auditors approved by Capital Markets Authority (CMA), and Insurance Regulatory Unit, and authorizing the Board of Directors to determine their remuneration.

AGENDA

EXTRAORDINARY GENERAL ASSEMBLY AGENDA

1. Discussion of amending the Company's Articles of Association for the following articles:

(Article - 51)

Current Text:
The Ordinary General Assembly shall meet every year upon a call by the Board of Directors during the three months following the end of the company's financial year, at the place, day, and time determined by the Board of Directors. The Board of Directors shall call the General Assembly to meet whenever necessary, upon the request of shareholders owning ten percent of the company's capital, or upon the request of the auditor, within fifteen days from the date of the request, and the agenda shall be prepared by the inviting party.

The procedures for calling the General Assembly, the quorum, attendance, and voting shall be governed by the provisions of the Constituent Assembly stipulated in the Companies Law No. 25 of 2012 and its amendments.

Proposed Text:
The Ordinary General Assembly shall meet every year upon an invitation by the Board of Directors during the three months following the end of the company's financial year, at the place, day, and time determined by the Board of Directors. The Board of Directors shall call the General Assembly to meet whenever necessary, upon the request of shareholders owning ten percent of the company's capital, or upon the request of the auditor, within fifteen days from the date of the request, and the agenda shall be prepared by the inviting party.

The procedures for calling the General Assembly, the attendance quorum, and voting shall be subject to the provisions of the Constituent Assembly stipulated in the Companies Law, its executive regulations, amendments thereof, and the instructions of regulatory authorities in the State of Kuwait.

(Article - 61)

Current Text:
A portion of the non-net profits shall be deducted to meet the obligations arising from the company's liabilities under labor laws, based on the proposal of the Board of Directors and approved by the General Assembly.

Proposed Text:
A portion of the non-net profits shall be deducted to meet the obligations arising from the company's liabilities under labor laws, based on the proposal of the Board of Directors and approved by the Ordinary General Assembly.

AGENDA

(Article - 62)

Current Text:
Ten percent of the net profits shall be deducted to constitute the legal reserve.

Proposed Text:
Ten percent of the annual net profits shall be deducted by decision of the Ordinary General Assembly based on the proposal of the Board of Directors to constitute the legal reserve. This deduction may be suspended by decision of the Ordinary General Assembly if it exceeds the minimum legal reserve requirement.

(Article - 64)

Current Text:
The Board of Directors may deduct 10 percent of the net profits allocated to the optional reserve account, and this deduction may be suspended by decision of the Ordinary General Assembly based on the proposal of the Board of Directors. This reserve shall be used for purposes determined by the General Assembly.

Proposed Text:
Ten percent of the net profits may be deducted for the optional reserve account by decision of the Ordinary General Assembly based on the proposal of the Board of Directors, and this reserve shall be used for purposes determined by the Ordinary General Assembly. This deduction may be suspended by decision of the Ordinary General Assembly. It is mandatory to deduct a percentage of 1% of the company's annual net profits for the benefit of Kuwait Foundation for the Advancement of Sciences (KFAS).

REPORT OF THE BOARD OF DIRECTORS

Board of Director's Report
Submitted to the Shareholders at the sixtieth Ordinary General Assembly Meeting held at the Company's headquarters
On Sunday, April 28, 2024 at 12:30 PM

Dear Shareholders,

On behalf the members of the Board of Directors and myself, I am delighted to present to you the sixtieth annual report of Al AHLEIA INSURANCE COMPANY and its subsidiaries.

Since its establishment in 1962, Al AHLEIA INSURANCE COMPANY has consistently maintained its leadership position. Founded by a group of distinguished Kuwaiti businessmen, the company boasts a rich history of accomplishments, continuous development, stability, and steadfast commitment to its shareholder base.

During 2023, the company achieved strong performance in all fields of insurance and investment, with a noticeable increase in profitability rates. This is in conjunction with the implementation of International Accounting Standard No. (17), which provides high-quality and more transparent information about insurance contracts, and Standard No. (9) On financial instruments.

REPORT OF THE BOARD OF DIRECTORS

"The company achieved strong performance in all fields of insurance and investment"

The year 2023 has been full of challenges for the global economy. The high interest environment prevailed and central banks around the world continued to implement their tightening policies after the successive shocks that the global economy received over the past years and the accompanying high rates of inflation and economic stagnation. We should not forget to mention the crises that economic growth faced around the world, the most prominent of which were geopolitical developments and the slow pace of declining inflation.

But with the beginning of the new year, we began to see a glimmer of hope, as inflation rates began to gradually decline, and most advanced economies around the world showed high flexibility at all levels.

At the local level, the Kuwaiti economy ended the year 2023 on a positive note. On the indicators of the last quarter; which indicates shifting paths of bank credit, real estate activity, and stock market performance; with expectations that the price of Kuwaiti export crude will rise to USD 82 per barrel.

The fourth quarter of last year was also characterized by an acceleration in the pace of government legislation. Several laws were passed; Including abolishing the local agent requirement for foreign companies; allowing it to enter tenders directly; Combating the monopoly of vacant lands to increase supply in the residential sector; several measures with potential positive financial impacts have also been proposed; including the imposition of some selective taxes.

At the insurance sector level, the global insurance market in 2023 was characterized by stability after years of fluctuations, a tight market, and high reinsurance prices. The company was able to renew its agreements with better terms and more features, supported by its positive results over the years, and the meeting was the fruit of the strategy adopted by the company to reduce risks and focus on the quality of underwriting. The sector worldwide has also witnessed rapid changes, especially in the field of digital transformation, which in turn has led to a qualitative shift in the sector. As for the company level, Digitization has helped in the process of analyzing risks and developing services provided to customers, in addition to increasing efficiency and reducing costs to ensure competitive superiority. It also provided solutions to most of the problems facing the sector, especially in terms of compensation and the clearing process between companies.

The company's sources of revenue were numerous and diversified, and the insurance coverage network expanded widely in the region. Which achieved good results; The Company's management also continued to follow the policy of supporting reserves to achieve a stronger and more comprehensive competitive position at the local and regional levels. We also forget the role of the Kuwait Reinsurance Company, as there has been noticeable progress in the growth rates of its operational performance because of its implementation of a comprehensive strategy for business growth and risk management.

During the year 2023, the company was able to achieve net profits amounting to KWD 20,027,435 equivalent to 92.4 fils per share, with a growth rate of 22% over last year. This growth is mainly due to the stability of the company’s strategy, which aims to continually maximize returns

REPORT OF THE BOARD OF DIRECTORS

to shareholders and provide distinguished insurance services to customers, relying on its financial solvency, the strength of its credit rating, and the quality of its assets, which amount to 375 Million Kuwaiti Dinars. The company was also able to maintain the high credit rating with the consensus of three credit rating agencies.

Global, namely Standards & Poor's (A-), Moody's (A3), and AM Best (A-), which reflects the solidity of the company's financial position and strong operational performance, in addition to the high level of risk management.

On the insurance portfolio side, where regional spread and expansion has led to improved performance, this is through paying attention to personal insurance, in addition to a portion of large commercial and industrial insurance, shares of which can be exchanged with associate companies. Which encouraged increased retention; In addition, the company's management is continuing to study other markets in preparation for increasing this spread and achieving the goal of contributing to influential shares in new companies.

On the other hand, The Company committed to applying environmental, social and institutional governance standards, as the company adopted the governance framework and committed to the highest standards of corporate governance to build more trust with the regulatory and regulatory authorities within the country as well as the company's clients and shareholders. There was more transparency in the company's performance regarding the financial situation and its application of international accounting standards to be consistent with governance principles. In addition, the integrity of the financial reports submitted to shareholders.

In addition, the company paid attention to its social responsibility towards the state, and there were many goals that were achieved. For example, but not limited to, the company's management adopted a policy of training young national cadres, relying on them, and providing them with job opportunities. The company also contributes by sponsoring some local non-profit organizations, such as the LOYAC Foundation and the Kuwait Red Crescent Society, and some assistance to other parties. The Risk and Compliance Department has also developed a sustainability plan, and work is underway on it in the next phase.

" The company was able to renew its agreements with better terms and more features, supported by its positive results over the years "

The year 2023 concluded with the following results:

First: Insurance Activity

Total insurance revenues reached 121 Million Kuwaiti Dinars in 2023, compared to 105 Million Kuwait Dinars in 2022, representing an average increase of 16%.

Below is a brief overview of this activity:

General insurance revenues and profits other than Life insurance:

Insurance revenues for general insurance amounted to KWD 25,847,431. In 2023, for KWD 27,731,949 in 2022, a decrease of KWD 1,884,518, a decrease of 7%, and the total profits of general insurance amounted to KWD 3,514,348 in 2023, compared to profits of KWD 1,930,215 in 2022, an increase of KWD 1,584,133, with a growth rate of 82%.

REPORT OF THE BOARD OF DIRECTORS

Life and health insurance revenues and profits:

Life and health insurance revenues amounted to KWD 24,174,111 in 2023, for KWD 19,102,923 in 2022, an increase of KWD 5,071,188, with an increase rate of 26.5%. Life and health insurance also achieved a profit of KWD 1,433,569 in 2023 compared to a profit of 707,539 for the year 2022, with an increase of KWD 726,030, a growth rate of 103%.

“ We would like to extend all our appreciation and gratitude to His Highness Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah ”

Second: In the Field of Investment Activity:

The company achieved remarkable success in investment revenues for the year 2023, achieving a revenue of KWD 13,359,489, compared to a revenue for 2022 of KWD 11,636,553, in addition to including unrealized losses amounting to KWD 10,200,564 in shareholders’ equity.

Third: Subsidiaries (Kuwait Reinsurance Company):

The performance of Kuwait Reinsurance Company was outstanding. Whereas, insurance revenues increased to KWD 71,398,375 in 2023, compared to KWD 58,411,326 in 2022, an increase equivalent to 22%, and the combined ratio stabilized at excellent levels, reaching 92.46%. The profit rate also increased to 11.69 Million Kuwaiti Dinars in 2023 compared to 8.85 Million Kuwaiti Dinars in 2022, the rate increased by 32%. The shareholders' equity reaches to 80 Million Kuwaiti Dinars in 2023, compared to 70.48 Million Kuwaiti Dinars in 2022. Finally; the total assets increased to 198.82 Million Kuwaiti Dinars in 2023, compared to 160.88 Million Kuwaiti Dinars in 2022.

Fourth: Calculation of Profit and Loss:

The results of the company’s business during the year 2023 were in the insurance and investment aspects after deducting reserves, allocations, and various items that are usually included in the calculate profit and loss. This activity showed profits amounting to KWD 20,027,435, compared to a profit of KWD 16,417,779 in 2022.

By adding the retained profits from the previous year, amounting to KWD 47,764,343, the total distributable profit becomes KWD 67,791,778, compared to KWD 46,038,280 for the year 2022.

The Board of Directors also pledges to the integrity and integrity of the financial reports prepared and submitted by shareholders. The executive management also provided its pledge to the Audit Committee and the Board of Directors regarding the integrity and integrity of the financial reports prepared by it.

Board of Directors recommendations:

The company's Board of Directors recommended deducting KWD 1,000,000 from the year's profits and adding it to the special voluntary reserve. In addition, recommended distributing cash dividends of KWD 6,615,000 to the shareholders of the Company, at the rate of 30% of the paid-up capital, i.e. thirty fils for each share.

REPORT OF THE BOARD OF DIRECTORS

Also distributing in-kind shares of the shares of the subsidiary (Kuwait Reinsurance Company) at a rate of 5% to the shareholders of Al AHLEIA INSURANCE COMPANY, i.e. 5 shares for every one hundred shares owned by Al AHLEIA's shareholders, with total of 10,834,832 shares of the shares owned by AL AHLEIA INSURANCE COMPANY in Kuwait Reinsurance Company. This is after the approval of the Kuwait Stock Exchange Company and the regulatory authorities.

The Board of Directors also proposed to make a provision of KWD 343,841 as bonuses to members of the Board of Directors for the year ending on December 31, 2023, and to retain the remaining net profits, amounting to KWD 12,412,435, to the next year.

Accordingly, the special voluntary reserve becomes KWD 19,000,000. The retained profits for next year are KWD 60,176,778.

Authorizing the Board of Directors to buy or sell the company's shares:

The Board of Directors recommended authorizing it to buy or sell the company's shares in accordance with the provisions of the law, in excess of 10% of the number of shares. This is in accordance with what is stipulated in Law No. (7) of 2010 and its executive regulations and their amendments.

Thanks and Appreciation:

At conclusion of our report, we would like to extend all our appreciation and gratitude to His Highness Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah, the Emir of the State, for his wise leadership and high patronage. We pray to Almighty Allah to grant him good health and to help him continue working for the sake of Kuwait's progress and glory, strengthening the Kuwaiti economy, supporting national companies, and providing comprehensive care for its people and nation towards further construction and prosperity.

We also express our sincere thanks and appreciation to the Ministry of Commerce and Industry, its Officers, and the Insurance Regulatory Unit for their understanding of the local market conditions and taking care of its interests. Thanks also go to the Ministry of Interior, represented by the Traffic General Department, for its continuous attempts to advance the compulsory insurance sector for vehicle accidents.

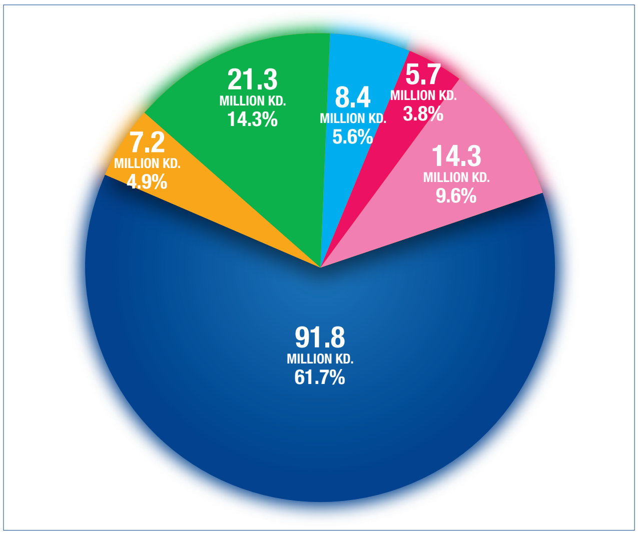
We would also like to extend special thanks to the company's shareholders and valued customers for their continued trust and continued support. We are also pleased to express our appreciation and gratitude to the reinsurers, for their support, cooperation, and quick response to our legitimate requests and the immediate claims required for huge compensation.

We cannot overlook the tremendous efforts and unwavering commitment demonstrated by the company's management at all administrative and technical levels, as well as by all employees, in their endeavors to advance the company and elevate its standing. This has been achieved through a distinguished family environment and collaborative teamwork aimed at delivering the best possible outcomes.

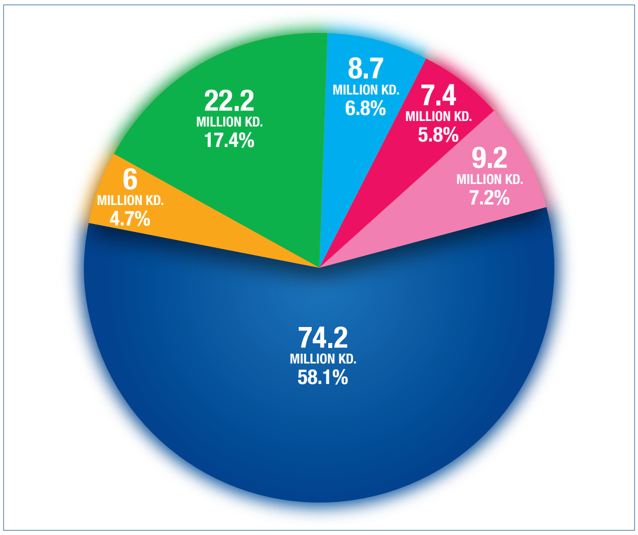
We conclude this annual report by praying to Almighty Allah to grant us the blessing of security and stability.

Best Regards,

Ayman Abdullatif Al Shaya
Chairman of Board of Directors

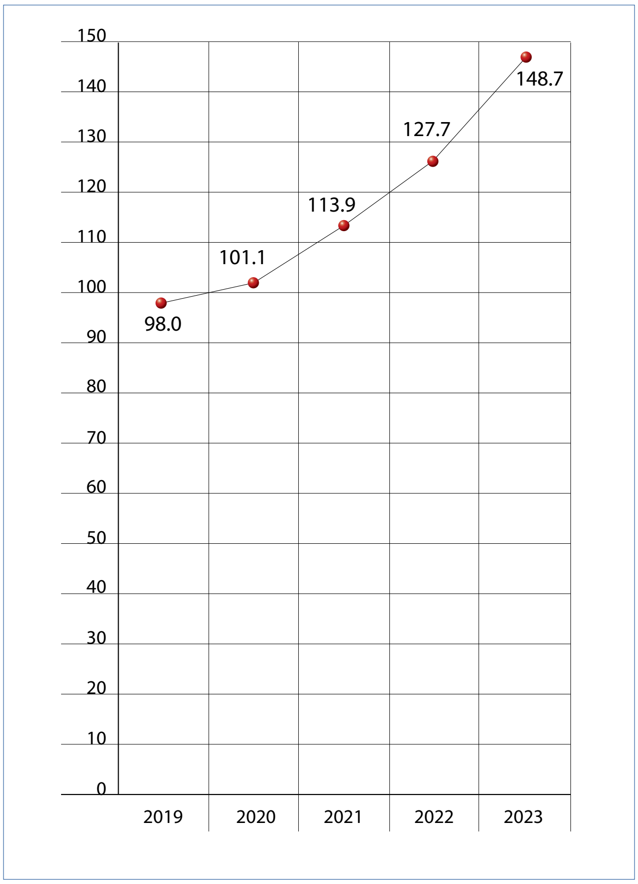


Source of Written Premiums 2023

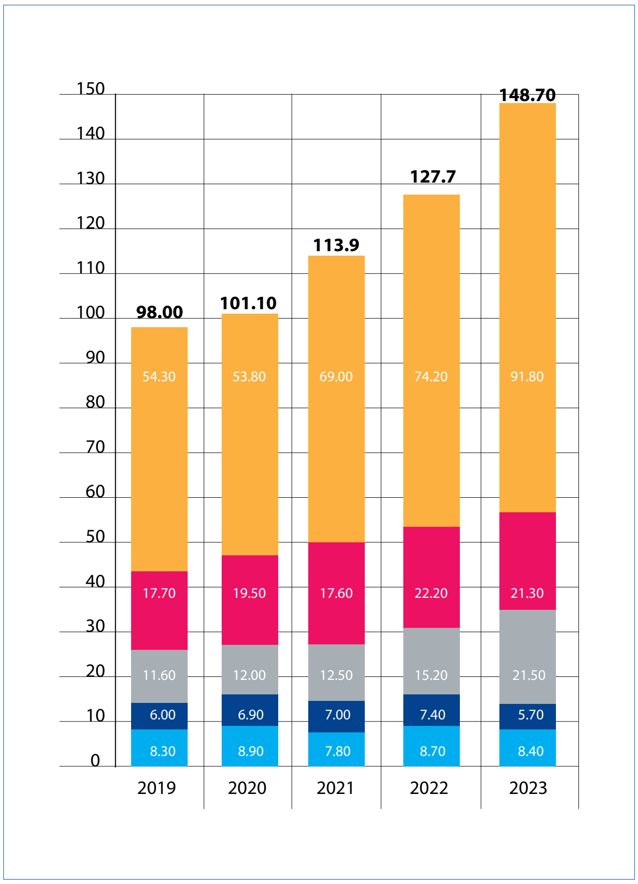


Source of Written Premiums 2022

Gen. Accident
Fire
Marine & Aviation
Life & Medical
Motors
Reinsurance

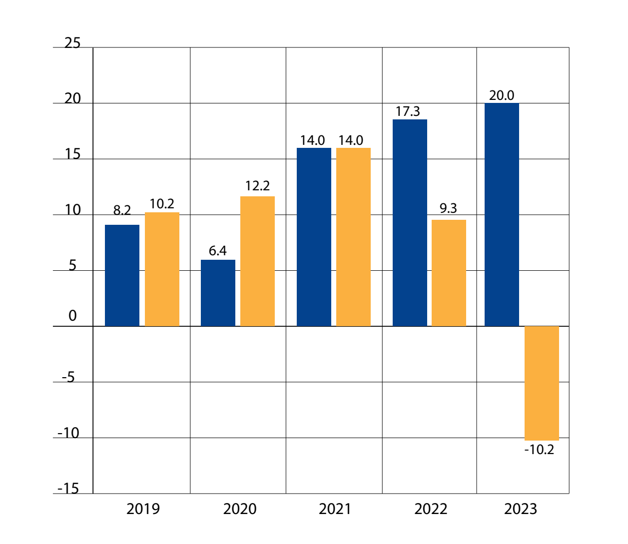


Insurance Activity
(in million KD)



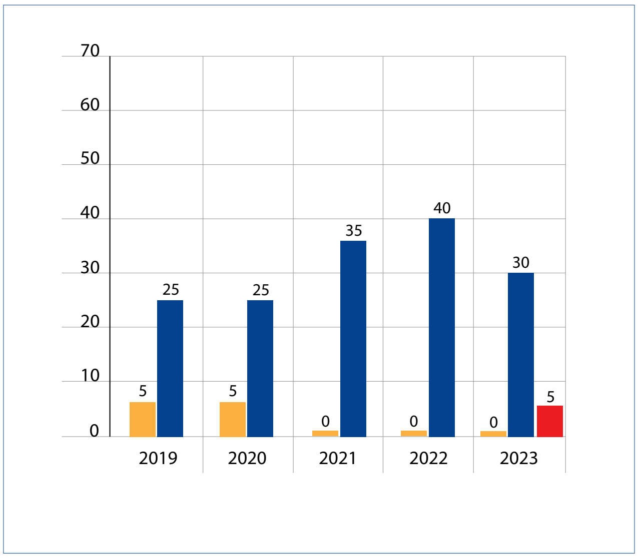
Gross Written Premiums
(in million KD)

Reinsurance
Life & Medical
G.A (Incl. Motor)
Fire
Marine & Aviation



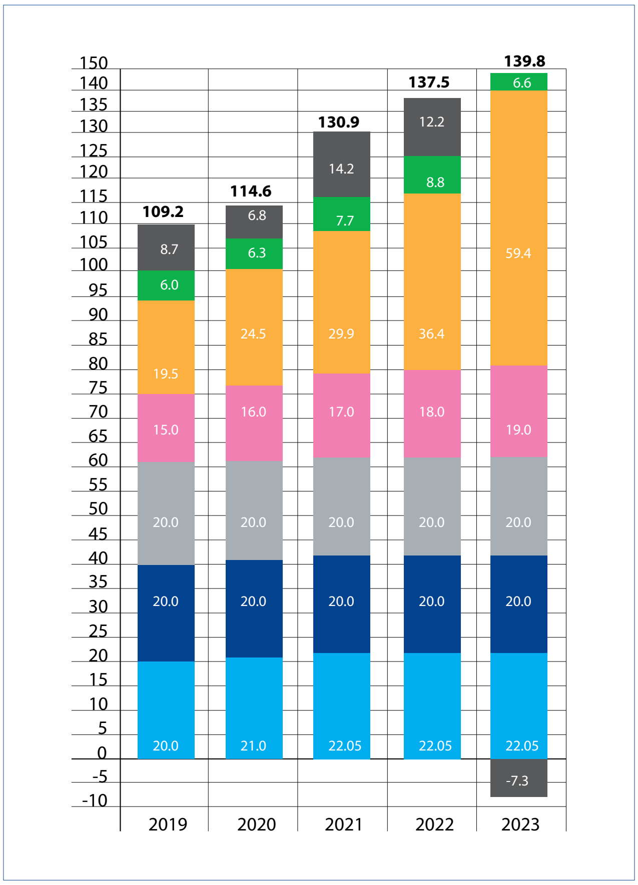
Growth of Recognized Net Profit & Unrecognized Profit in Shareholders' Equity (in million KD)

Unrecognized Profit in Shareholders' Equity
Recognized Net Profit



Cash Dividends, Bonus Shares and In-Kind Shares

Cash Dividends (Fils)
In-Kind Shares (%)
Bonus Shares (%)



Shareholders Equity
(in million KD)

The Fair Value & Treasury Profit
Proposed Dividend
Retained Earnings
Voluntary Reserve
General Reserve
Statutory Reserve
Capital

الشركة الأهلية للتأمين ش.م.ك.ع.
AL AHLEIA INSURANCE COMPANY S.A.K.P.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Introduction

Al Ahleia Insurance Company (AIC) aims to strengthen the framework of governance within its business environment to ensure the protection of its shareholders and stakeholders' rights. The Board, the executive management and all AIC's employees are committed on implementing governance policies, consistently striving to maintain effective and qualified internal control systems. These systems empower employees to efficiently comply with governance rules, enabling them to keep pace with economic changes at both local and global levels.

The strength and effectiveness of governance are evident through the clear division of tasks between the committees stemming from the Board of Directors, as well as the executive management. The latter plays a pivotal role in providing regular reports to the Board on new developments in governance. The Board, in turn, actively seeks to achieve better value for shareholders by reinforcing the concept of adherence to governance principles.

The Board is entrusted with overseeing the achievement and implementation of the company's strategic objectives, applying governance standards in accordance with the required in Kuwait. This includes reviewing all governance-related policies in collaboration with relevant parties, ensuring the comprehensive implementation of effective practices.

CORPORATE GOVERNANCE REPORT

Rule (1) Construct a Balanced Board Composition

- **Composition of the Board of Directors**

Al Ahleia Insurance Company S.A.K.P Board of Directors consists of nine members including one executive member, five non-executive members, and three independent members who were elected at the Annual General Assembly Meeting that took place on 28 March 2023.
The following table shows the Board's Structure, their positions, and academic qualifications as of 31 December 2023:

Name	Title	Member Classification	Academic Qualification	Election Date
Ayman Abdul Latif Al-Shaya	Chairman	Non-Executive	Bachelor of Mechanical Engineering	28/03/2023
Emad Mohammad Al-Bahar	Vice Chairman	Non-Executive	Bachelor of Business Management	28/03/2023
Abdullah Mohammad Al-Saad	Board Member	Non-Executive	Bachelor of Commerce	28/03/2023
Abdul Aziz Abdul Razzaq Al-Jassar	Board Member	Independent	Bachelor of Accounting	28/03/2023
Emad Jassim Al-Sager	Board Member	Non-Executive	Bachelor of Economics and Political Science	28/03/2023
Ahmad Yousef Al-Ghanim	Board Member	Independent	Bachelor of Information Technology	28/03/2023
Adel Mohammad Al-Ghannam	Board Member	Non-Executive	Bachelor of Business Management	28/03/2023
Abdul Mohsen Jassim Al-Kharafi	Board Member	Independent	Bachelor of Business Management	28/03/2023
Yousef Saad Al-Saad	Board Member and CEO	Executive	Bachelor of Finance	28/03/2023
Mohammad Abdul Mohsen Al-Saad	Board Secretary	Executive	Bachelor of Business Management	28/03/2023

CORPORATE GOVERNANCE REPORT

- **Board Meetings During 2023**

Name	Meeting (1) 21/02/2023	Meeting (2) 01/03/2023	Meeting (3) 14/03/2023	Meeting (4) 28/03/2023	Meeting (5) 15/05/2023	Meeting (6) 21/06/2023	Meeting (7) 18/07/2023	Meeting (8) 14/08/2023	Meeting (9) 09/11/2023	Number of Meetings
Ayman Abdul Latif Al-Shaya (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Emad Mohammad Al-Bahar (Vice Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdullah Mohammad Al-Saad (Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdul Aziz Abdul Razzaq Al-Jassar (Independent Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Emad Jassim Al-Sager (Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Ahmad Yousef Al-Ghanim (Independent Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Adel Mohammad Al-Ghannam (Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Abdul Mohsen Jassim Al-Kharafi (Independent Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Yousef Saad Al-Saad (Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

- **Registration, coordination, and keeping the minutes of meetings of the Board of Directors**

The Board Secretary assists the Board of Directors by organizing its activities related to meetings by preparing agendas and items to be discussed during those meetings, his tasks include informing the Board of the meeting times and ensuring proper delivery and distribution of sufficient information related to the topics mentioned on the agenda at least three working days before the meeting. The Board secretary prepares the minutes of the meetings and writes down a summary of all the discussions and suggestions that took place during each meeting in those minutes, which are dated and serialized in a special register.

- **An acknowledgment by the independent member that the controls of independence are available**

The independent members submitted a declaration that they have met the conditions of independency that allow them to make decisions without being subjected to pressure or obstacles, as shown in the appendix. The independent members were assigned advisory tasks related to the company's various activities, and this helps the Board of Directors to take sound decisions that contribute to achieving the company's interests.

Rule (2) Establish Appropriate Roles and Responsibilities

- **Responsibilities and duties of the Board of Directors and Executive Management**

The Board of Directors rely on their qualifications and extensive experience to develop the company's strategic goals, set policies to create better value to shareholders and maintain sustainable in the business to meet the company's goals to overcome any challenges and changing in circumstances. Also, the Board is responsible for overseeing the implementation of these strategies based on best practices in the Corporate Governance field.

The Board of Directors monitors the execution of the tasks assigned to the Executive Management and ensure that it was done to enhance the competitiveness of the company, its shareholders, and stakeholders. The Board is keen on taking effective decisions based on financial and non-financial data and reports submitted by the Executive Management which contributes into achieving high growth rates and maximizing profits.

The Board always strives to strengthen the principles of disclosure and transparency of material information and to support professional conduct and integrity, including promoting the spirit of compliance and ethical codes of conduct. Also, the Board is keen on continuously monitoring the company's internal control through the Internal Audit Department, Risk and Compliance Department.

The responsibilities of the Board of Directors include the following:

1. The Board of Directors is responsible for setting the framework for corporate governance and oversight over the effectiveness of its application in a manner that aims to protect shareholders' rights and raise the company's value.
2. Review and approve the company's business plans, the company's important policies and the risk levels included in these plans, in coordination with the Risk Management Committee.
3. Ensure that the company maintains adequate levels of capital and reserves, in accordance with the pioneering practices and applicable regulatory laws.
4. Approval of internal regulations related to the company's work and its development, and the subsequent segregation of tasks, specialties, duties, and responsibilities between various organizational levels.
5. Establish effective communication channels to provide sufficient information to shareholders in a timely manner and enabling them to take appropriate decisions based on this information during the General Assembly Meeting.
6. Ensure the effectiveness and adequacy of the company's internal control systems and subsidiaries.
7. Ensure the accuracy and correctness of the financial data and disclose them in all transparency.
8. Define the authority matrix of the Executive Management and ensuring that the assigned tasks are accomplished.

The Responsibilities of the Executive Management include the following:

1. Implementing all the company's internal policies and procedures and internal controls that are approved by the Board of Directors.
2. Prepare periodic reports (financial and non-financial) regarding the progress made in the company's activity considering the company's strategic plans and goals and submit these reports to the Board of Directors.
3. Managing the daily activities within the company, as well as managing the company's resources in an optimal way, working on maximizing profits and reducing expenses, in line with the company's goals and strategies.

- **Achievements of the Board of Directors during the year**

The Board of Directors major achievements including but not limited to:

1. Approving the estimated budgets and the annual financial statement.
2. Reviewing and approving the Company's Business Plan and its main policies, also following up on the implementation of the company's Corporate Governance and monitoring its effectiveness.
3. Adopting the new international accounting standards No. (9) and (17) and supervising their implementation.
4. Ensuring the accuracy and integrity of data and information and disclosing them transparently.
5. Taking responsibility for setting a governance framework and monitoring the effectiveness of its application in a way that aims to protect shareholders' rights and raise the company's standing.
6. Ensure that the company maintains adequate levels of capital and reserves, in accordance with leading practices and applicable regulatory laws.
7. Determine the powers of the executive management and ensure that they accomplish the tasks assigned to them.
8. Ensuring the effectiveness and adequacy of the internal control systems in the company and its subsidiaries.

- **The formation of independent specialized committees by the Board of Directors**

The specialized committees were formed after the election of the members of the Board of Directors in the General Assembly Meeting held in 2023 to support the Board and help them in performing the tasks assigned to them and to perform their duties effectively, each according to its authority matrix as mentioned in the committee charters approved by the Board. The formed committees are the Audit Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Executive Committee.

1. Risk Management Committee

The Risk Management Committee comprises of three non-executive directors of whom one is an independent Director. The committee was formed on 28 March 2023, and its duration is consistent with the Board of Directors' term (Three Years). The Risk Management Committee is responsible for reviewing policies related to Risk Management and overseeing the company's risks including strategic risks, market risks, compliance risks, and operational risks. The committee held (4) meetings during the year 2023.

The Risk Management Committee's achievements include, but are not limited to:
1. Review the risk management strategy and management plan.
2. Evaluating systems and mechanisms for identifying, measuring and following up on the various types of risks to which the company may be exposed.
3. Ensure the effectiveness of the risk control framework and supervise the results of the risk management and compliance assessment.
4. Ensure that there is an effective mechanism to monitor, observe and report on money laundering and terrorist financing operations.
5. Follow up on the efficiency of dealing with customer complaints and developments regarding the requirements of the Insurance Regulatory Unit.
6. Ensure the effectiveness of the risk control framework and supervise the results of the risk management and compliance assessment.

Members:
- o Mr. Adel Mohammed Al-Ghannam – Chairman
- o Mr. Abul Aziz Abdul Razzaq Al-Jassar
- o Mr. Emad Jassim Al-Sager

Member	Meeting No. (1) 21/02/2023	Meeting No. (2) 15/05/2023	Meeting No. (3) 14/08/2023	Meeting No. (4) 09/11/2023	Number of Meetings
Adel Mohammed Al-Ghannam	✓	✓	✓	✓	4
Abdul Aziz Abdul Razzaq Al-Jassar	✓	✓	✓	✓	4
Emad Jassim Al-Sager	✓	✓	✓	✓	4

2. Audit Committee

The Audit Committee comprises of three non-executive directors of whom one is an independent Director; the independent Director chairs the committee. The committee was formed on 28 March 2023, and its duration is consistent with the Board of Directors' term (Three Years). The committee held six meetings during the year. The Committee is responsible for assisting the Board in supervising the quality of the Company's accounting practices, internal audit and internal controls framework of the company to reduce any violations that may occur, and it also maintains the company's relationship with the external auditors.

The committee's achievements for the year:

1. Reviewing the periodic financial statements before presenting them to the Board of Directors and expressing an opinion and recommendation thereon to the Board of Directors.
2. Reviewing and approving the internal audit plan
3. Submit a recommendation to the Board of Directors regarding the appointment or re- appointment of the auditors.
4. Review the new international accounting policies No. (9) and (17) before implementation.
5. Discussing the internal control review report (ICR) prepared by the external auditor.
6. Preparing the committee's report that will be presented in the annual general meeting.

Members:

- o Mr. Abdul Aziz Abdul Razzaq Al-Jassar – Chairman
- o Mr. Abdullah Mohammad Al-Saad
- o Mr. Emad Jassim Al-Sager

Member	Meeting No. (1) 21/02/2023	Meeting No. (2) 15/05/2023	Meeting No. (3) 21/06/2023	Meeting No. (4) 18/07/2023	Meeting No. (5) 14/08/2023	Meeting No. (6) 09/11/2023	Number of Meetings
Abdul Aziz Abdul Razzaq Al-Jassar	✓	✓	✓	✓	✓	✓	6
Abdullah Mohammad Al-Saad*	-	✓	✓	✓	✓	✓	5
Emad Jassim Al-Sager	✓	✓	✓	✓	✓	✓	6
Emad Mohammad Al-Bahar**	✓	-	-	-	-	-	1

* He was not a member of the Audit Committee before the election and reconstitution on 2023/03/28

** He is no longer a member of the Audit Committee after the election and reconstitution on 2023/03/28.

CORPORATE GOVERNANCE REPORT

3. Nomination and Remunerations Committee

The Nomination and Remunerations committee comprises of five non-executive Directors of whom one is an independent Director, the committee held one meeting during the year 2023, the committee was formed on 28 March 2023, and its duration is consistent with the Board of Directors' term (Three Years). The committee is responsible for defining the roles and responsibilities of the executive, non-executive, and independent Board members. Review the nomination and remuneration manual at least once a year or by the recommendation of the Board to assess its adequacy and effectiveness and to submit proposals to amend or update the policy to the Board of Directors to ensure the goals are achieved. The committee recommends to the Board of Directors on nominating, and re-nominating members of the Board, Board committees, and Executive Management. It also facilitates the annual self-evaluation and assessment of the Board and oversees the training and development of the Board of Directors and the Executive Management.

The committee's achievements include, but are not limited to:
1. Reviewing the remuneration of the members of the Board of Directors and the executive management of the company.
2. Preparing an annual report on all remunerations granted to members of the Board of Directors, executive management, and managers.
3. Verify the independence of the independent members.
4. Supervising the evaluation of members' performance.

Members:
- o Mr. Ayman Abdul Latif Al-Shaya – Chairman
- o Mr. Abdul Mohsen Jassim Al-Kharafi
- o Ahmad Yousef Al-Ghanim

Member	Meeting No. (1) 21/02/2023	Number of Meetings
Ayman Abdul Latif Al-Shaya*	*	-
Emad Mohammed Al-Bahar**	✓	1
Abdullah Mohammed Al-Saad**	✓	1
Adel Mohammad Al-Ghannam**	✓	1
Abdul Mohsen Jassim Al-Kharafi	✓	1
Abdul Aziz Abdul Razzaq Al-Jassar**	✓	1
Ahmad Yousef Al-Ghanim*	*	-

* He was not a member of the Nominations and Remuneration Committee before the election and reconstitution on 28/03/2023.

** He is no longer a member of the Nominations and Remuneration Committee after the election and reconstitution on 28/03/2023.

Executive Committee

The Executive committee comprises of three Directors, the committee was restructured on 28 March 2023, and its duration is consistent with the Board of Directors' term (Three Years). The committee held three meetings during the year 2023. The roles and responsibilities of the committee includes discussing investment opportunities and study current investments to provide recommendations regarding them to the Board of Directors to enable them to take the right decisions at the appropriate time and any other tasks delegated by the Board.

The committee's achievements for the year:
1. Discuss potential investment opportunities to expand or exit.
2. Supporting the Board of Directors in following up on the implementation of the investment strategy and plan.
3. Discussing the investment portfolio and updating the Board of Directors thereon.
4. Discussing and studying offers submitted for investment from various parties.

Members:
- Mr. Ayman Abdul Latif Al-Shaya – Chairman
- Mr. Emad Mohammed Al-Bahar
- Mr. Yousef Saad Al-Saad

Member	Meeting No. (1) 02/05/2023	Meeting No. (2) 01/06/2023	Meeting No. (3) 21/09/2023	Number of Meetings
Ayman Abdul Latif Al-Shaya	✓	✓	✓	3
Emad Mohammad Al-Bahar	✓	✓	✓	3
Yousef Saad Al-Saad	✓	✓	✓	3

- **Mechanism that allows Board of Directors to obtain accurate and timely information**

The Board Secretary assists the Board of Directors in obtaining all data and information accurately and in a timely manner, therefore he maintains all important information and records placed in order, which facilitates the members of the Board to full and immediate access to those information, as well as preparing minutes of the meeting and a summary of all the discussions that took place during each meeting, these records are dated and serialized in a special numbered register, to easily submit them to the Board of Directors when needed.

Rule (3) Recruit Highly Qualified Candidates for the Members of the Board and Executive Management

- **Formation of Nominations and Remunerations Committee**

The Board has formed a Nomination and Remunerations Committee to be in compliance with the corporate governance requirements issued by Capital Markets Authority (CMA), the Board approved the committee's charter which includes recommendations to the Board of Directors on the appointment of Board members and Executive Management, oversee key performance indicators of the board members, facilitates the process of the Board annual self-assessment, and ensures the necessary training and development is provided to Board members and Executive Management. The committee is also responsible for evaluating the remuneration of the Board of Directors and Executive Management in line with the objectives of the company, its shareholders and stakeholder.

- **Remunerations to Members of the Board, Executive Management and Managers**

The company has prepared a special policy for remuneration that explains the different segment of remuneration for members of the Board of Directors, executive management, and managers in addition to defining the role of the Board and the Nomination and Remuneration Committee in adopting a system of remuneration for the Company's employees.

Based on the recommendation proposed by the Nominations and Remunerations Committee, the Board of Directors approved remunerations for Board members of 343,841 KD, The remunerations are subject to the approval of the General Assembly which will be held in 2023, and the remuneration of the Executive Management and employees amounts to 15% of the net profit for the period ending on 31 December 2023, as shown in the remuneration report.

The following is a summary of the remuneration and incentives, particularly those related to members of the Board of Directors, Executive Management and Managers:

	Remunerations & benefits of Members of Board of Directors						
	Remunerations & benefits through parent company			Remunerations & benefits through the subsidiaries			
Total number of Members	Fixed remuneration and benefits (KD)	Variable remuneration and benefits (KD)		Fixed remuneration and benefits (KD)		Variable remuneration and benefits (KD)	
	Health Insurance	Annual Remuneration	Committees' Remuneration	Health Insurance	Monthly Salaries (Total of the year)	Annual Remuneration	Committees' Remuneration
9	---	343,841	---	---	---	255,000	19,500

Total Remunerations & Benefits Granted to 5 Senior Executives Who Have Received the Highest Remunerations. This is in addition to the CEO & the Financial Manager or their Deputy, if not included														
	Remunerations & benefits through the parent company							Remunerations & benefits through the subsidiaries						
Total Executive Positions	Fixed remuneration & benefits (KD)						Variable remuneration & benefits (KD)	Fixed remuneration & benefits (KD)						Variable remuneration & benefits (KD)
	Monthly Salaries (Total of the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Children's Education Allowance	Annual Remuneration	Monthly Salaries (Total of the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Children's Education Allowance	Annual Remuneration
6	238,321	12,434	---	---	---	---	397,936	462,200	16,932	9,667	---	---	14,000	171,430

* There are no material deviations from the remuneration policy approved by the Board of Directors.

Rule (4) Safeguard the Integrity of Financial Reporting

- **Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports**

We, the Chairman and Board of Directors of Al Ahleia Insurance Company, are committed to the soundness and integrity of the financial statements prepared for the Company during the financial year ended 31/12/2023, as well as all financial statements and reports related to the company's activity. These reports were presented fairly and prepared according to the International Accounting Standards which is approved by the Capital Markets Authority. Based on what is stated to us by the Executive Management as well as the report of the external auditor in this regard.

- **Formation of the Board Audit Committee**

The Audit Committee was formed of three Non-Executive members from the Board of Directors of whom one is an independent director that chairs the committee to be compliant with the regulatory requirements. The presence of this committee in the company reflects the best practices of wise and effective governance. The committee works on preparing and implementing the internal controls framework, and overseeing the audits done by the external auditors to ensure the effectiveness and efficiency of the internal operations and the integrity of the financial statements. The Board approved the committees charter according to the Corporate Governance requirements. There were no objections during the year on any recommendations between the Audit Committee and the Board of Directors decisions.

- **Verification of the independence and neutrality of the external Auditor**

The external auditor was reappointed at the Ordinary General Assembly Meeting according to the Board recommendations However, the Audit Committee is responsible for recommending to the Board of Directors to appoint, reappoint or change the external auditor, including determining their fees and review their letters of appointment. The committee also verified the independence and impartiality of the external auditor by verifying the following requirements:

- The external auditor shall be accredited by the CMA and shall fulfill all conditions stated in the CMA requirements for regulating registration of auditors.
- The external auditor shall be independent from the Company or Board thereof and shall not perform any additional work not covered by the scope of auditing works, which may affect impartiality and independence except for reviewing and auditing work.

Rule (5) Apply Sound Systems for Risk Management and Internal Audit

- **Formation Risk Management department**

The Risk management and Compliance department developed the methodology used in the department structure by verifying the consistency of the company's overall business strategy and activities alongside the overall risk appetite approved by the Board of Directors. The department provides its reports to the Risk Management Committee by achieving the company's goals and assessing the levels of risk acceptance that are appropriate to the nature and size of the company's activity. Among the tasks of the department is that it is the second line of defense of the company, identifying, measuring, and monitoring the risks that the company can be exposed to by preparing detailed reports and providing an effective level of supervision in compliance with the rules of governance and regulatory requirements.

- **Formation of Risk Management Committee**

The Board approved the regulations of the Risk Management Committee in accordance with the requirements of corporate governance issued within the executive bylaws of the Capital Markets Authority and other related regulatory requirements. As the regulations specify the main requirements for forming the committee, in addition to the scope of authority and responsibilities of the committee. Since its formation, the Risk Management Committee has followed up on tasks related to managing strategic risks, market risks, operational risks, and compliance risks. The committee reviews the regulations and policies periodically on all matters related to risks and supervises all the risks of the company.

- **Internal Control and Internal Audit Systems**

The Board's main responsibility is to review effectiveness of the Company's internal control system, maintains the integrity of its financials, as well as the efficiency of its data. The Executive management has developed policies and procedures for the Company's internal controls and risk management in line with the Company's corporate governance that is supervised by the Internal Audit Committee. Therefore, a specialized audit firm approved by the CMA was appointed to prepare a quality assurance report for the internal audit department to confirm the effectiveness of internal control systems. The report was submitted to the Audit Committee and Board of Directors and discussed with the internal audit department to identify the strengths and weaknesses of the company's internal control systems.

- **Formation of Internal Audit Department**

One of the main components of the general framework of internal control and control systems is the company's internal audit department. Therefore, the company was keen to establish an independent internal audit department which submits its reports directly to the Audit Committee stemming from the Board of Directors, which are subsequently viewed by the Board of Directors and provides the Committee and the Board with an independent opinion and an objective and comprehensive view of the business and the internal control systems in the company.

Rule (6) Promote Code of Conduct and Ethical Standards

Al Ahleia Insurance Company S.A.K.P. has developed policies and procedures to promote a code of conduct and ethical standards within the Company. The following are the policies approved by the Board of Directors:

- **Code of Conduct of Board members and Executive Management**

The company is committed to placing a code of business conduct with other internal policies and guidelines designed to comply with laws, rules and regulations that will govern the operations of the company's business. The company is also committed to maintaining the highest standards of code of conduct and ethical standards. The Business Conduct Charter for Board Members and Executive Management reflects business practices and behavioral principles that support this commitment. This charter aims to provide necessary guidance to avoid conflict or conflict situations and to support appropriate behaviors in general. It generally aims to promote best practices related to corporate governance, in line with other guidelines and instructions related to corporate governance.

- **Conflict of Interest Policy**

The company has prepared a policy to reduce conflicts of interest, as this policy aims to ensure the application of appropriate procedures to discover and address effective conflict of interest cases effectively, and to ensure that the Board of Directors deals with existing, potential, and expected conflicts of interest and that all decisions are taken in a manner that achieves interests the company. The verification was done, and the company has not received any cases of conflict of interest among the Board members and the Executive Management.

Rule (7) Ensure Timely and High-Quality Disclosure and Transparency

- **Disclosure and Transparency**

The Company has a disclosure policy in line with the instructions of the Capital Markets Authority (CMA) and other relevant regulatory bodies regarding disclosure and transparency, this policy clarifies the mechanism and channels of various disclosure and the material information that is required to be disclosed by the company, by its Board of Directors, by its Executive Management and by the insiders to shareholders and regulatory authorities, which assist the Company to provide accurate and realistic disclosures of all material information related to its business, while seeking justice and equality in providing the right to access such information.

- **Brief about the Board of Directors, Executive Management and Managers disclosures' record**

The Secretary of the Board of Directors is responsible for maintaining and updating the record of Board members, Executive Management and Managers 'disclosures. The Board Secretary also makes sure that the disclosures of information related to the Board of Directors, the executive management and Managers are carried out in a timely manner in accordance with the instructions of the Capital Markets Authority and the laws and regulations in force, along with the continuous coordination with the Board of Directors and Risk and Compliance management.

- **Formation of Investors Relations Unit**

The Investor Relations Unit has been formed with the appropriate independence, the unit is concerned with regulating the company's relationship with existing shareholders and potential investors. The approved Investor Relations Unit policy clarifies its main tasks and its role in regulating the company's relationship with existing shareholders and potential investors. This unit also provides information and reports to potential shareholders and investors through the company's website and other means of disclosure.

- **Information Technology Infrastructure**

The company is continuously developing the information technology infrastructure, the latest systems and programs that help complete the disclosures are used in full, in addition to protecting information security and enabling shareholders to obtain the latest data and information through the company's website. The department has also updated the section on investor relations that contains all data and information about the company's activity and its financial position of interest to current and potential shareholders.

Rule (8) Respect the rights of Shareholders

- **The general rights of shareholders**

The Company is always looking out for our shareholders best interests. The approved shareholders protection policy by the Board confirms the respect and protection of shareholders' rights and ensure fairness and equality amongst all shareholders. This policy was prepared as per the applicable law.

- **The creation of a special record at the Clearing Agency**

The Company maintains a register of its shareholders with Kuwait Clearing Company which includes information on each shareholder. All the shareholders are entitled to access the register according to the policies and procedures of Kuwait Clearing Company.

- **Encourage shareholders to participate and vote in the meetings**

The Company encourages investors for participating actively in the general assemblies as stated in the Shareholders' Protection Policy, by discussing the issues included in the relevant agenda and any related inquiries of various activities and businesses and addressing relevant questions to Board members and external auditor.

Rule (9) Recognize the Roles of Stakeholders

- **Protection and recognition of the rights of stakeholders**

Al Ahleia follows the stakeholder protection policy that was approved by the Board of Directors with the aim of identifying the parties who have been considered as stakeholders in the company and to set guidelines on how to protect these rights, that this policy helps the company in committing to protecting the rights of all stakeholders and providing stability and job sustainability through its good financial performance.

- **Encourage stakeholders to keep track of the company's various activities**

The company encourages the stakeholders to participate in following up the company's various activities and protect their rights through the following:
Dealing with all stakeholders fairly and ensuring that members of the Board of Directors, related parties and stakeholders are treated fairly and without any discrimination or preferential terms.
Allowing stakeholders to access information and data related to their activities so that they can obtain that information and refer to it and rely on it in a timely, fast, and regular manner.

Rule (10) Encourage and Enhance Performance

- **Training programs to Board Members and Executive Management**

The company has mechanisms that allow the members of the Board of Directors and Executive Management to obtain training programs and courses related to the company's activity and the latest developments in the administrative, insurance, economic and financial fields, corporate governance, risk management and anti-money laundry.

- **Evaluate the performance of the Board and the Executive Management**

The Board is responsible for managing the annual evaluation of the performance for the Board as a whole and for each member of the Board of Directors and Executive Management based on key performance indicators (quality and quantity), based on specific evaluation criteria which guarantees the achievement of the company's strategic goals. Each member submits his self-evaluation to the Board of Directors, and the Nomination and Remuneration Committee is responsible for managing the evaluation process of the Board, then all evaluations obtained by all committees are viewed by the Board of Directors after their completion to determine the outcome of the evaluation and determine the level of performance of those committees. The Chairman of the Board of Directors discusses the results of the performance evaluation with the Board and the identified strengths and weaknesses.

The Chairman of the Board in coordination with the Nomination and Remuneration Committee determines the required trainings and development for members based on the evaluation results. Board members always strive to develop their skills and competencies through training courses and raise awareness about the main technical, financial, and administrative aspects related to the company's activity and their role as Board of directors.

- **Corporate (Value Creation) with the employees at the company**

The Board of Directors pledges to permanently create institutional values for the employees of the company that help in achieving strategic goals through supervision of the Executive Management and to ensure that they perform all the tasks assigned to them according to the approved key performance indicators who in return supervise the rest of the employees in the company and motivate them to work continually to maintain financial integrity and reputation of the company through comprehensive internal reporting systems which has resulted in a significant improvement in performance rates.

Rule (11) Corporate Social Responsibility

- **Summary of the policy to ensure a balance between the company goals and society goals**

The AIC's Board considers the corporate social responsibility programs among its priorities; therefore, it has adopted a policy for social responsibility and provided the necessary support for it, and the board is keen that the AIC has a role in contributing to reducing the negative effects related to society, the individual, and the environment.

- **Brief on programs helping to highlight the company's efforts in the field of social work**

- Distributing winter clothing to workers to avoid the cold, and also providing medicine bags to some government hospitals and dispensaries.
- Carrying out some social activities and events for the company's employees during holidays and official occasions, such as (an annual iftar, distributing gifts on the occasion of the National and Liberation Days, and Ramadan Ghabqa).
- AIC has continued its cooperation with LOYAC in training and qualifying Kuwaiti youth before entering the labor market, and as usual, AIC contributed financially to them with a fixed annual amount and participated in some social events included in their distinguished annual programs in community service.
- Participation with sports clubs that support and stimulate sports as a health awareness for the community. In addition to holding competitions on social media sites throughout the year for the company's clients and providing them with prizes.
- Participating in several job fairs to support young Kuwaiti graduates to engage in the Kuwaiti labor market in the private sector.
- Providing support and encouragement to people with special needs in various ways, whether by making a financial donation to the Down Syndrome Association or participating in social activities with them (312).
- Organizing awareness campaigns for prevention and maintaining security and safety for employees and their families, which include all of the following:
  - Blood donation campaign for company employees with the Kuwait Blood Bank.
  - Conduct early breast cancer screening for company employees and prostate screening for company employees to raise awareness of the importance of early screening and prevention of chronic diseases.
  - Checking the level of blood sugar, triglycerides, and blood pressure to alert them to the risks to their health and to follow a healthy diet to protect their lives from this type of disease.
- Contributing to providing a school bag for the orphanage.
- Honoring employees who have served the company for 30 years or more.

AIC hopes to implement the upcoming social responsibility plan for the year 2024 to the fullest extent and to exert the required effort and our participation in its implementation in all its financial and moral aspects, with contributions and participation from all the company's employees and full cooperation with the management.

AUDITORS' REPORT & FINANCIAL STATEMENTS

TABLE OF CONTENT

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel.: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS of AL-AHLEIA INSURANCE COMPANY S.A.K.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and 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.

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 200,565,084 (2022: KD 177,935,512), are significant to the Group's consolidated financial statements as at 31 December 2023, as reported in Note 10 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 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 policies and 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 10 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P. (continued)

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 external independent 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 10 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 684,116. 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 1,853,280. 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.

Report on the Audit of Consolidated Financial Statements (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.

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 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 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 AL-AHLEIA INSURANCE COMPANY S.A.K.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 AL-AHLEIA INSURANCE COMPANY S.A.K.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.

WALEED A. AL OSAIMI
LICENCE NO 68 A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS

21 March 2024
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023

	Notes	*2023* KD	*2022* KD (Restated)
Revenue:			
Insurance revenue	10	**121,419,917**	104,683,497
Insurance service expenses	10	**(101,742,819)**	(88,074,713)
Insurance service result before reinsurance contracts held		**19,677,098**	16,608,784
Amounts recoverable from reinsurers for incurred claims	11	**18,848,333**	10,002,381
Allocation of reinsurance premiums	11	**(18,197,719)**	(19,171,480)
Net income (expense) from reinsurance contracts held		**650,614**	(9,169,099)
Insurance service result		**20,327,712**	7,439,685
Finance (expenses) income from insurance contracts issued	10	**(2,788,710)**	4,919,839
Finance income (expenses) from reinsurance contracts held	11	**986,349**	(788,170)
Net insurance financial result		**18,525,351**	11,571,354
Investment income	4	**12,672,376**	10,944,399
Rental income from investment properties		**687,107**	692,154
Investment property operating expenses		**(77,909)**	(89,735)
Unallocated general and administrative expenses		**(8,172,063)**	(3,648,644)
Other expenses		**(502,651)**	(289,489)
Revaluation gain on investment properties		**25,740**	5,603
Foreign exchange difference		**(482,185)**	(667,562)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTOR'S FEES		**22,675,766**	18,518,080
Contribution to KFAS		**(216,483)**	(180,557)
NLST		**(575,683)**	(489,538)
Zakat		**(229,863)**	(195,543)
Directors Fees		**(598,841)**	(524,360)
PROFIT FOR THE YEAR		**21,054,896**	17,128,082
Attributable to:			
Equity holders of the Parent Company		**20,027,435**	16,417,779
Non-controlling interests		**1,027,461**	710,303
PROFIT FOR THE YEAR		**21,054,896**	17,128,082
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	**92.42 fils**	75.76 fils

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	***2023 KD***	*2022 KD (Restated)*
Profit for the year		**21,054,896**	17,128,082
Other comprehensive income (loss):			
Items that are or may be subsequently reclassified to consolidated statement of income:			
Share of other comprehensive income (loss) from associates		**273,013**	(186,825)
Reclassification to the consolidated statement of income on disposal of available-for-sale financial assets		**-**	(2,835,903)
Exchange difference on translation on foreign operation		**264,542**	358,987
Impairment loss on available-for-sale financial assets		**-**	237,386
		537,555	(2,426,355)
Items that will not subsequently reclassified to consolidated statement of income:			
Change in fair value of financial assets at FVOCI		**(7,452,014)**	(1,806,758)
Other comprehensive loss for the year		**(6,914,459)**	(4,233,113)
Total comprehensive income for the year		**14,140,437**	12,894,969
Attributable to:			
Equity holders of the Parent Company		**13,040,077**	12,086,744
Non-controlling interests		**1,100,360**	808,225
		14,140,437	12,894,969

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**31 December 2023 KD**	31 December 2022 KD (Restated)	1 January 2022 KD (Restated)
ASSETS				
Cash and cash equivalent	6	**8,181,168**	7,405,610	7,650,924
Term deposits	6	**169,337,160**	146,580,971	125,483,302
Other assets	12	**7,786,345**	5,233,451	4,271,866
Insurance contract assets	10	**5,363**	16,142,455	7,272,971
Reinsurance contract assets	11	**57,037,094**	56,617,900	48,512,481
Debt instrument at amortised cost	9	**44,097,711**	-	-
Available-for-sale financial assets	9	**-**	51,052,133	56,925,792
Financial assets held to maturity	9	**-**	37,510,687	34,737,151
Financial assets at fair value through other comprehensive income	9	**18,478,724**	-	-
Financial assets at fair value through profit or loss	9	**29,339,851**	1,118,612	753,534
Investment properties	7	**11,834,859**	11,816,347	11,814,673
Investments in associates	8	**25,247,377**	22,614,088	22,327,643
Property and equipment		**3,315,316**	3,271,042	3,328,430
TOTAL ASSETS		**374,660,968**	359,363,296	323,078,767
LIABILITIES AND EQUITY				
LIABILITIES				
Insurance contract liabilities	10	**200,565,084**	177,935,512	158,452,454
Reinsurance contract liabilities	11	**5,948,840**	21,583,141	7,899,903
Other liabilities	16	**19,453,067**	14,523,859	15,210,459
Total liabilities		**225,966,991**	214,042,512	181,562,816
Equity				
Share capital	13	**22,050,000**	22,050,000	22,050,000
Statutory reserve	14	**20,000,000**	20,000,000	20,000,000
Voluntary reserve	14	**20,000,000**	20,000,000	20,000,000
Special voluntary reserve	14	**19,000,000**	18,000,000	17,000,000
Treasury shares	15	**(1,278,932)**	(1,278,932)	(1,278,932)
Treasury shares reserve		**1,474,675**	1,474,675	1,474,675
Cumulative changes in fair value reserve		**(10,200,564)**	9,265,630	13,955,652
Foreign currency translation reserve		**535,400**	270,858	(88,129)
Retained earnings		**66,791,778**	46,038,280	38,204,883
Other reserves		**1,399,845**	1,454,565	242,563
Equity attributable to the equity holders of the Parent Company		**139,772,202**	137,275,076	131,560,712
Non-controlling interests		**8,921,775**	8,045,708	9,955,239
Total Equity		**148,693,977**	145,320,784	141,515,951
TOTAL LIABILITIES AND EQUITY		**374,660,968**	359,363,296	323,078,767

Ayman Abdullatif Al-Shayea
Chairman

Yousef Saad Al Saad
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to equity holders of the Parent Company												
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Special voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative change in Fair value reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Other reserves KD*	***Subtotal KD***	*Non-controlling interests KD*	***Total Equity KD***
Balance as at 1 January 2023 after application of IFRS 17 (restated)	**22,050,000**	**20,000,000**	**20,000,000**	**18,000,000**	**(1,278,932)**	**1,474,675**	**9,265,630**	**270,858**	**46,038,280**	**1,454,565**	**137,275,076**	**8,045,708**	**145,320,784**
Impact of initial application of IFRS 9 (Note 2.3.1)	-	-	-	-	-	-	**(12,432,464)**	-	**10,612,099**	-	**(1,820,365)**	**(32,915)**	**(1,853,280)**
Balance as at 1 January 2023 (restated)	**22,050,000**	**20,000,000**	**20,000,000**	**18,000,000**	**(1,278,932)**	**1,474,675**	**(3,166,834)**	**270,858**	**56,650,379**	**1,454,565**	**135,454,711**	**8,012,793**	**143,467,504**
Profit for the year	-	-	-	-	-	-	-	-	**20,027,435**	-	**20,027,435**	**1,027,461**	**21,054,896**
Other comprehensive (loss) income for the year	-	-	-	-	-	-	**(7,251,900)**	**264,542**	-	-	**(6,987,358)**	**72,899**	**(6,914,459)**
Total comprehensive (loss) income for the year	-	-	-	-	-	-	**(7,251,900)**	**264,542**	**20,027,435**	-	**13,040,077**	**1,100,360**	**14,140,437**
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	**(8,667,866)**	-	**(8,667,866)**	**(242,834)**	**(8,910,700)**
Transfer to special voluntary reserve	-	-	-	**1,000,000**	-	-	-	-	**(1,000,000)**	-	-	-	-
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	**(54,720)**	**(54,720)**	**51,456**	**(3,264)**
Loss on disposal of financial assets at FVOCI	-	-	-	-	-	-	**218,170**	-	**(218,170)**	-	-	-	-
As at 31 December 2023	**22,050,000**	**20,000,000**	**20,000,000**	**19,000,000**	**(1,278,932)**	**1,474,675**	**(10,200,564)**	**535,400**	**66,791,778**	**1,399,845**	**139,772,202**	**8,921,775**	**148,693,977**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to equity holders of the Parent Company												
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Special voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative change in Fair value reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Other reserves KD*	*Subtotal KD*	*Non-controlling interests KD*	*Total equity KD*
Balance as at 1 January 2022 as previously reported	22,050,000	20,000,000	20,000,000	17,000,000	(1,278,932)	1,474,675	13,955,652	(88,129)	37,571,878	242,563	130,927,707	9,904,128	140,831,835
Impact of initial application of IFRS 17 (Note 2.3.1)	-	-	-	-	-	-	-	-	633,005	-	633,005	51,111	684,116
Balance as at 1 January 2022 after application of IFRS 17 (restated)	22,050,000	20,000,000	20,000,000	17,000,000	(1,278,932)	1,474,675	13,955,652	(88,129)	38,204,883	242,563	131,560,712	9,955,239	141,515,951
Profit for the year	-	-	-	-	-	-	-	-	16,417,779	-	16,417,779	710,303	17,128,082
Other comprehensive (loss) income for the year	-	-	-	-	-	-	(4,690,022)	358,987	-	-	(4,331,035)	97,922	(4,233,113)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(4,690,022)	358,987	16,417,779	-	12,086,744	808,225	12,894,969
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(7,584,382)	-	(7,584,382)	(82,128)	(7,666,510)
Transfer to special voluntary reserve	-	-	-	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	1,212,002	1,212,002	(2,635,628)	(1,423,626)
As at 31 December 2022	22,050,000	20,000,000	20,000,000	18,000,000	(1,278,932)	1,474,675	9,265,630	270,858	46,038,280	1,454,565	137,275,076	8,045,708	145,320,784

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

CONSOLIDATED STATEMENT OF CASH FLOWS
As at 31 December 2023

	Notes	***2023*** ***KD***	*2022* *KD* *(Restated)*
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, Zakat and Directors Fees		**22,675,766**	18,518,080
Adjustments for:			
Depreciation of property and equipment		**144,865**	135,163
Investment income	4	**(12,672,376)**	(10,944,399)
Rental income from investment properties		**(687,107)**	(692,154)
Provision of employees' end of service benefits		**461,096**	539,812
Revaluation gain on investment properties		**(25,740)**	(5,603)
Impairment loss on receivables		**-**	650,000
		9,896,504	8,200,899
Changes in operating assets and liabilities:			
Other assets		**452,344**	522,720
Insurance contract assets		**16,137,092**	(8,109,274)
Reinsurance contract assets		**(419,194)**	(9,429,915)
Insurance contract liabilities		**21,389,101**	19,671,468
Reinsurance contract liabilities		**(15,634,301)**	13,757,304
Other liabilities		**2,939,736**	(2,500,000)
Cash flows from operations		**34,761,282**	22,113,202
Employees' end if service benefits paid		**(134,352)**	(186,758)
Net cash flows from operating activities		**34,626,930**	21,926,444
INVESTING ACTIVITIES			
Movement in time deposits		**(22,756,189)**	(21,097,669)
Net movement of loan secured by life insurance policies		**1,700**	(3,400)
Acquisition of non-controlling interest		**(3,264)**	(1,423,626)
Net proceeds from sale of financial assets at fair value through OCI		**31,708**	-
Purchase of available for sale financial assets		**-**	(5,281,979)
Proceeds from available for sale financial assets		**-**	9,200,964
Purchase of financial assets at fair value through profit or loss		**(6,278,775)**	-
Proceed from sale of financial assets at fair value through profit or loss		**1,828,766**	-
Purchase of property and equipment		**(187,900)**	(74,914)
Investment income received		**8,234,762**	5,879,415
Proceeds from investment in associates		**-**	368,081
Purchase of financial assets held to maturity		**-**	(5,191,314)
Proceeds from redemption of financial assets held to maturity		**-**	2,411,761
Purchase of debt instruments at amortised cost		**(6,622,811)**	-
Proceeds of debt instruments at amortised cost		**20,925**	-
Rental income received		**680,425**	721,341
Net cash flows used in investing activities		**(25,050,653)**	(14,491,340)
FINANCING ACTIVITY			
Cash dividends paid		**(8,868,842)**	(7,596,163)
Net cash flows used in financing activities		**(8,868,842)**	(7,596,163)
Foreign currency exchange difference		**68,123**	(84,255)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**775,558**	(245,314)
Cash and cash equivalents as at 1 January		**7,405,610**	7,650,924
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	10	**8,181,168**	7,405,610

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

1 CORPORATE INFORMATION

The consolidated financial statements of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries – Kuwait Reinsurance Company K.S.C.P. and Trade Union Holding B.S.C (closed), (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 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, amended. The Parent Company's registered head office address is located at Ahmad Al-Jaber street and its registered postal address is P. O. Box 1602 Safat, 13017, 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 investment properties, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss.

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 when there is a retrospective application of IFRS 17.

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

2.2 BASIS OF CONSOLIDATION

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

	Incorporation country	Activity	**Ownership (%) 31 December 2023**	Ownership (%) 31 December 2022
Kuwait Reinsurance Company K.S.C.P.	Kuwait	Insurance and reinsurance operations	**91.74**	91.74
Al-Etihad Union Holding B.S.C (Closed)	Bahrain	Insurance and reinsurance operations	**83.5**	83.5
Al Ahleia Multi General Trading and Contracting (W.L.L.)	Kuwait	Investment company	**99**	99

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 consolidated 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.

The financial statements of the subsidiaries are prepared in accordance with IFRS as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. 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 assets (including goodwill) and liabilities of the subsidiary,
- Derecognises the carrying amount of any non-controlling interests,
- Derecognises the cumulative translation differences recorded in equity,
- Recognises the fair value of the consideration received,
- Recognises the fair value of any investment retained,
- Recognises any surplus or deficit in the consolidated statement of income,
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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)

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.

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 transition impact of IFRS 17, adopting the full retrospective approach. The nature of the changes in accounting policies can be summarised, as follows:

(i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 (continued)

(i) Changes to classification and measurement (continued)
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). 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 for reinsurance 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.

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 2.5.

(ii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 (continued)

(ii) Changes to presentation and disclosure (continued)
Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the consolidated statement of income and the 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

(iii) 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.

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.

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

	Impact on equity from 1 January 2022
	KD
Impact on equity	684,116

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:

(i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 9 Financial Instruments(continued)

(i) Changes to classification and measurement (continued)

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 recognized 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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)

(i) Changes to classification and measurement (continued)

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 recognized 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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)

(ii) 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.

(iii) 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 statement.

(iiii) Transition impact

The impact of this change in accounting policy as at 1 January 2023 has resulted in an increase in retained earnings by KD 10,612,099 and a decrease in the cumulative changes in fair value by KD 12,432,464 as follows:

	Retained earnings KD	*Cumulative changes in fair value KD*
Closing balance under IAS 39 (31 December 2022)	46,038,280	9,265,630
Impact on reclassification and re-measurements of financial assets:		
Quoted equity investments	2,669,534	(2,669,534)
Unquoted equity investments	6,423,387	(6,629,000)
Managed funds	3,261,694	(3,261,694)
Unquoted bonds	(232,664)	-
Impact on recognition of expected credit losses on financial assets:		
Allowance for impairment of trade receivables based on expected credit loss model	(1,400,000)	-
Allowance for impairment of Bonds based on expected credit loss model	(15,003)	-
Adjustments for NCI	(94,849)	127,764
Opening balance under IFRS 9 on date of initial application as of 1 January 2023	56,650,379	(3,166,834)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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)

(iii) Transition impact (continued)

	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*
Bonds	HTM	37,510,687	Amortised cost	(15,003)	37,495,684
Unquoted equity investments	AFS	14,269,211	FVOCI	(33,735)	14,235,476
Quoted equity investments	AFS	12,329,206	FVTPL	13,260	12,342,466
Quoted equity investments	AFS	9,595,277	FVOCI	-	9,595,277
Managed funds	AFS	2,858,810	FVOCI	(417,802)	2,441,008
Managed funds	AFS	11,999,629	FVTPL	-	11,999,629
Insurance and reinsurance receivable	Receivable	26,228,298	Insurance Contract assets	(1,400,000)	24,828,298

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
Amendments to IAS 21 - Lack of exchangeability	1 January 2025

2.4.1 Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
What is meant by a right to defer settlement,
That a right to defer must exist at the end of the reporting period
That classification is unaffected by the likelihood that an entity will exercise its deferral right
That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

2.4.2 Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

2.4.2 Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 *(continued)*
The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. These amendments are not expected to have a material impact on the Group's consolidated financial statements.

2.4.3 Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of the consolidated financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. The Group is currently assessing the impact the amendments will have on current practice.

2.4.4 Lack of exchangeability – Amendments to IAS 21
In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. These amendments are not expected to have a material impacts on the Group's consolidated financial statements.

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 to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

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 this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in 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.

Insurance and Reinsurance 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.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:
- the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment components in Savings and Participating products comprise policyholder account values less applicable surrender fees.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

(i) Classification
The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and Reinsurance Contracts (continued)

Definition and classification (continued)

(i) Classification (continued)

The Group issues the following products

- non-life insurance to individuals and businesses. Non-life insurance products offered include but not limited to, property, marine, and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.
- annuity contracts and term life contracts with a surrender value.

The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

(ii) Separating components from insurance and reinsurance contracts
The Group assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

(iii) Level of Aggregation
IFRS 17 requires the Group to determine the level of aggregation for applying its requirements.

The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

The Group applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into two groups, as follows:
(i) any contracts that are onerous on initial recognition;
(ii) any remaining contracts in the portfolio.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:
- Pricing information
- Historical information
- Results of similar contracts it has recognised.
- Environmental factors, e.g., a change in market experience or regulations

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

(iv) Recognition
The Group recognises groups of insurance contracts it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date.
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(iv) Recognition (continued)

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:
- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

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.

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(v) Contract modification and derecognition (continued)

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.

(vi) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(vii) Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or both of the following criteria are satisfied:
- The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after 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.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

The Group's quota-share life reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a one-year notice period by either party. Thus, the Group treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within a one-year boundary are included in each of the reinsurance contracts' measurement.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and Reinsurance Contracts (continued)

(ix) 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.

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.

(x) Insurance contracts- Initial and subsequent measurement

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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(xi) 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.

(xii) 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.

Before a group of insurance contracts is recognized, the Group could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognized.

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 to choose the option. No separate asset is recognized for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

(xiii) 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 certain confidence level based on the percentile 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(xiii) Risk adjustment for non-financial risk (continued)

Amounts recognized in the consolidated statement of 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 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 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 statement of income.

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) 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

Amounts recognized in the consolidated statement of income for Insurance service result from insurance contracts held (continued)

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 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.

Reinsurance contracts- Initial and subsequent measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Group recognized a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held.

The Group uses a systematic and rational method to determine the portion of losses recognized on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Group has established a loss-recovery component, the Group subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

Insurance acquisition cash flows(continued)
All acquisition costs are to be deferred. The Group uses a systematic and rational method to allocate:

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the consolidated statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Group recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

Impairment of non-financial assets
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 on freehold land	25 years
▸ Leasehold properties	20 to 25 years
▸ Furniture, fixtures, equipment and motor vehicles	3 to 5 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.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date that is determined based on valuation performed by an independent valuer using valuation methods consistent with the nature and usage of the investment properties. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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, but is not control or joint control over those policies.

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

Under the equity method, the investment in an associate is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investment in associates
In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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)
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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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>
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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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. It is the Group's policy to measure such instruments on a 12-month ECL (12m ECL) basis.

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 materially days 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.

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)

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 to the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments policy applied before 1 January 2023 (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

Non-trading financial assets may be designated at initial recognition as financial assets designated as at fair value through the 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.

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

Term deposits
Term 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments policy applied before 1 January 2023 (continued)

(i) Financial assets (continued)

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

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

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

(ii) Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the consolidated statement of income, 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 insurance and reinsurance payables and accounts payable and other credit balances. Subsequent to initial recognition, other liabilities are measured at amortised cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

(iii) Financial liabilities (continued)
Subsequent measurement
Subsequent measurement of financial liabilities depends on their classification, as follows:

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

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

Fair value measurement
The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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.

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

- Disclosures for significant accounting judgements, estimates and assumptions	Note 2.6
- Investment properties	Note 7
- Financial instruments	Note 9
- Quantitative disclosures of fair value measurement hierarchy	Note 24

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits with a maturity of three months or less, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

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 income from associates and subsidiaries, the transfer to statutory reserve, until the reserve reaches 50% of share capital should be excluded from profit for the year when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

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, incomes from associates and cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

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

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

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

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
Transactions and balances (continued)
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).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statement of income is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Cash dividends 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Other income
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 investment income in the consolidated statement of income.

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

Rental income
Rental income arising from operating leases on investment properties are accounted for on a straight-line basis over the term of the lease.

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 original or amortised cost and are recorded on occurrence of the sale transaction.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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 disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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. This testing has been performed on following insurance and corresponding reinsurance contracts:
- Non-life
- Life and medical insurance
- Reinsurance operations

After calculating the liabilities/assets applying PAA, 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 no material differences for contracts with coverage period of more than one year. Hence, the Group reported all contracts 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 and at an aggregate insurance contract liabilities / re-insurance contract assets level using pre-determined quantitative threshold for differences at the group of contracts.

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).

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 profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period.

Significant financing component
The Group has assessed its Liability for Remaining Coverage (LRC) and Assets for remaining coverage (ARC) and concluded that no significant financing component exists within LRC and ARC respectively. Therefore, the Group has not adjusted the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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 (continued)

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.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. 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 deterministic projections to estimate the present value of future cash flows and for some groups it uses stochastic modelling techniques. A stochastic model is a tool for estimating probability distributions of potential outcomes by allowing for random variation in one or more inputs over time. The random variation is usually based on fluctuations observed in historical data for a selected period using standard time-series techniques.

vii. 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

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 confidence level 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.

viii. 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 22.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

ix. 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.

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.

xii. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

3 FUTURE LEASE RENT RECEIVABLES

The Group has entered into commercial property leases on its investment properties (Note 7). These are non-cancellable leases having remaining lease term of 2 to 5 years.Future minimum lease rental receivables under non-cancellable operating leases as at 31 December are as follows:

	2023 ***KD***	*2022* *KD*
Within one year	**493,549**	529,908
After one year but not more than five years	**237,878**	264,834
	731,427	794,742

4 INVESTMENT INCOME

	2023 ***KD***	*2022* *KD*
Dividends income	**989,007**	1,044,723
Interest income	**9,710,276**	5,291,067
Income from funds	**535,735**	1,062,975
Gain on sale of available-for-sale financial assets	**-**	2,835,903
Net gain on capital call of previously impaired financial assets designated at FVTPL	**92,811**	352,849
Unrealized loss of financial assets at FVTPL	**(747,909)**	-
Gain on disposal of associates	**-**	247,469
Share of results of associates (Note 8)	**2,007,049**	346,799
Realised gain on sale of financial assets at FVTPL	**85,407**	-
Impairment loss on AFS	**-**	(237,386)
	12,672,376	10,944,399

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2023	*2022*
Profit for the year attributable to shareholders of Parent Company (KD)	**20,027,435**	16,417,779
	Shares	*Shares*
Weighted average number of ordinary shares outstanding during the year	**216,696,640**	216,696,640
Basic and diluted earnings per share (fils)	**92.42**	75.76

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

6 CASH AND CASH EQUIVALENTS

	2023 KD	*2022 KD*
Term deposits	**170,873,410**	147,348,351
Bank balances and cash	**6,644,918**	6,638,230
	177,518,328	153,986,581
Less:		
Term deposits with original maturities of more than three months	**(169,337,160)**	(146,580,971)
Cash and cash equivalents	**8,181,168**	7,405,610

Term deposits amounting to KD 110,000 (31 December 2022: KD 110,000) are pledged as security against letter of credit arising from the subsidiary, granted by a bank amounting to KD 39,680 (2022: KD 45,318).

Letter of guarantee granted by a bank to the Parent Company amounting to KD 1,594,604 (2022: KD 1,412,182) to fulfill collateral requirements (Note 20).

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

7 INVESTMENT PROPERTIES

	2023 KD	*2022 KD*
As at 1 January	**11,816,347**	11,814,673
Revaluation gain	**25,740**	5,603
Foreign currency translation adjustment	**(7,228)**	(3,929)
As at 31 December	**11,834,859**	11,816,347

The fair value of the local investment properties was determined based on valuations obtained from two independent professional real estate valuers, who are industry specialists in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. The fair value was determined at the lower of the two valuations as required by the Capital Market Authority (CMA) using the income capitalization approach, and hence categorised under level 3 of the fair value hierarchy.

The fair value of the foreign investment properties was determined based on valuation obtained from an independent professional real estate valuer, who is an industry specialist in valuing such type of investment properties. The fair value was determined using the market comparable approach, and hence categorised under level 2 of the fair value hierarchy.

The significant assumptions used in the valuations are set out below:

	2023	*2022*
Average rent (per sqm) – KD	**829**	837
Yield rate - %	**5.80%**	5.90%
Vacancy rate	**13.80%**	11.30%

Any changes to the significant assumptions used in the valuation above such as 5% for average rent and vacancy rate and 50 basis points for yield rate do not have material impact on the consolidated statement of income of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

8 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Ownership percentage **2023**	*Ownership percentage* *2022*	*Country of incorporation*	**2023 KD**	*2022 KD*
Iraq International Insurance Company S.A (Closed)	**37.22%**	44.32%	Iraq	**476,714**	435,061
Al-Watania Insurance Company Y.S.C. (Closed)	**22.50%**	22.50%	Yemen	**173,314**	159,367
Burgan Insurance Company S.A.L. (formerly Arab Life Insurance Company S.A.L.)	**49.37%**	49.37%	Lebanon	**1,476,923**	1,168,831
Al-Etihad Cooperative Insurance Company	**32.36%**	32.36%	Saudi Arabia	**23,120,426**	20,850,829
				25,247,377	22,614,088

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

	2023 KD	*2022 KD*
Carrying value as at 1 January	**22,614,088**	22,327,643
Share of results of associates	**2,007,049**	346,799
Gain from disposal of associate	**-**	247,469
Share of other comprehensive gain (loss)	**552,031**	(186,825)
Foreign currency translation adjustment	**74,209**	247,083
Proceeds from sale of investment in associates	**-**	(368,081)
Carrying value as at 31 December	**25,247,377**	22,614,088

The following table illustrates the summarised aggregate information of the Group associates:

Summarised consolidated statement of financial position:

	2023 KD	*2022 KD*
Assets	**152,630,959**	160,739,940
Liabilities	**(94,867,464)**	(110,975,233)
Equity	**57,763,495**	49,764,707
Carrying amount of the investment	**25,247,377**	22,614,088

Summarised consolidated statement of income:

	2023 KD	*2022 KD*
Revenues	**80,793,600**	70,320,799
Expenses	**(74,483,094)**	(68,212,243)
Profit for the year	**6,310,506**	2,108,556
Group's share of results for the year	**2,007,049**	346,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

9 FINANCIAL ASSETS

	31 December 2023 KD	*31 December 2022 KD*	*1 January 2022 KD*
New classification under IFRS 9			
Financial assets at FVTPL			
Quoted equity securities	**15,232,993**	-	-
Unquoted equity securities	**1,112,621**	1,118,612	753,534
Unquoted managed funds	**12,994,237**	-	-
Total	**29,339,851**	1,118,612	753,534
Financial assets at FVOCI			
Quoted equity securities	**8,755,005**	-	-
Unquoted equity securities	**7,227,313**	-	-
Unquoted managed funds	**2,496,406**	-	-
Total	**18,478,724**	-	-
Debt instruments at amortised cost			
Bonds	**44,097,711**	-	-
Total	**91,916,286**	1,118,612	753,534
Original classification under IAS 39			
Available-for-sale financial assets (AFS)			
Quoted equity securities	-	21,924,484	26,299,980
Unquoted equity securities	-	14,269,211	14,157,991
Unquoted managed funds	-	14,625,774	16,194,457
Bonds	-	232,664	273,364
Total AFS	-	51,052,133	56,925,792
Financial assets held to maturity	-	37,510,687	34,737,151
Total	-	88,562,820	91,662,943

10 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:

	Valuation Approach	31 December 2023 Assets KD	31 December 2023 Liabilities KD	31 December 2023 Net KD	31 December 2022 (Restated) Assets KD	31 December 2022 (Restated) Liabilities KD	31 December 2022 (Restated) Net KD
Insurance contract assets & liabilities							
Non life	**PAA**	**(5,339)**	**140,703,694**	**140,698,355**	**(16,027,088)**	**116,212,862**	**100,185,774**
Life	**PAA**	**(24)**	**59,861,390**	**59,861,366**	**(115,367)**	**61,722,650**	**61,607,283**
Total insurance contract assets & liabilities		**(5,363)**	**200,565,084**	**200,559,721**	**(16,142,455)**	**177,935,512**	**161,793,057**
Reinsurance contract assets & liabilities							
Non life	**PAA**	**45,653,056**	**(5,948,840)**	**39,704,216**	**43,614,819**	**(21,583,141)**	**22,031,678**
Life	**PAA**	**11,384,038**	**-**	**11,384,038**	**13,003,081**	**-**	**13,003,081**
Total reinsurance contract assets & liabilities		**57,037,094**	**(5,948,840)**	**51,088,254**	**56,617,900**	**(21,583,141)**	**35,034,759**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

11 INSURANCE CONTRACT (ASSETS) LIABILTIES

	31 December 2023					31 December 2022 (Restated)				
	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 future cash flows *KD*	Risk adjustment *KD*	Total *KD*
Opening liabilities	(5,973,923)	-	154,983,575	28,925,860	177,935,512	(10,730,134)	-	149,860,091	19,322,497	158,452,454
Opening assets	(16,893,475)	-	578,365	172,655	(16,142,455)	(8,298,435)	-	868,923	156,541	(7,272,971)
Net opening balance	(22,867,398)	-	155,561,940	29,098,515	161,793,057	(19,028,569)	-	150,729,014	19,479,038	151,179,483
ECL from IFRS 9 adoption (Note 2.3.1)	(1,400,000)	-	-	-	(1,400,000)	-	-	-	-	-
Net opening balance after IFRS 9	(24,267,398)	-	155,561,940	29,098,515	160,393,057	(19,028,569)	-	150,729,014	19,479,038	151,179,483
Insurance revenue	(121,419,917)	-	-	-	(121,419,917)	(104,683,497)	-	-	-	(104,683,497)
Insurance service expenses										
Incurred claims	-	-	110,778,561	33,222,448	144,001,009	-	-	50,563,002	-	50,563,002
Changes relating to liabilities for incurred claims	-	-	(47,416,555)	(11,234,664)	(58,651,219)	-	-	20,267,045	9,566,266	29,833,311
Insurance acquisition costs incurred	16,393,029	-	-	-	16,393,029	7,678,400	-	-	-	7,678,400
Insurance service expenses	16,393,029	-	63,362,006	21,987,784	101,742,819	7,678,400	-	70,830,047	9,566,266	88,074,713
Insurance service result	(105,026,888)	-	63,362,006	21,987,784	(19,677,098)	(97,005,097)	-	70,830,047	9,566,266	(16,608,784)
Effect of movements in exchange rates	(14,304)	-	82,550	28,426	96,672	(25,525)	-	176,279	53,211	203,965
Net finance expense/(income) from insurance contracts	-	-	2,788,710	-	2,788,710	-	-	(4,919,839)	-	(4,919,839)
Total changes in the consolidated statement of income	(105,041,192)	-	66,233,266	22,016,210	(16,791,716)	(97,030,622)	-	66,086,487	9,619,477	(21,324,658)
Cash flows										
Premiums received	129,029,371	-	-	-	129,029,371	100,219,071	-	-	-	100,219,071
Claims paid	-	-	(55,330,020)	-	(55,330,020)	-	-	(61,253,561)	-	(61,253,561)
Insurance acquisition cash flows	(16,740,971)	-	-	-	(16,740,971)	(7,027,278)	-	-	-	(7,027,278)
Total cash flows	112,288,400	-	(55,330,020)	-	56,958,380	93,191,793	-	(61,253,561)	-	31,938,232
Net closing balance	(17,020,190)	-	166,465,186	51,114,725	200,559,721	(22,867,398)	-	155,561,940	29,098,515	161,793,057
Closing liabilities	(17,015,049)	-	166,465,352	51,114,781	200,565,084	(5,973,923)	-	154,983,575	28,925,860	177,935,512
Closing assets	(5,141)	-	(166)	(56)	(5,363)	(16,893,475)	-	578,365	172,655	(16,142,455)
Net closing balance	(17,020,190)	-	166,465,186	51,114,725	200,559,721	(22,867,398)	-	155,561,940	29,098,515	161,793,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

11 REINSURANCE CONTRACTS (ASSETS) LIABILITIES (continued)

	31 December 2023					31 December 2022 (Restated)				
	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 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	21,681,804	-	(90,000)	(8,663)	21,583,141	8,353,108	-	(412,507)	(40,698)	7,899,903
Opening assets	(5,040,606)	-	(49,365,017)	(2,212,277)	(56,617,900)	4,460,478	-	(49,473,666)	(3,499,293)	(48,512,481)
Net opening balance	16,641,198	-	(49,455,017)	(2,220,940)	(35,034,759)	12,813,586	-	(49,886,173)	(3,539,991)	(40,612,578)
Changes in the consolidated statement of income										
Allocation of reinsurance premiums	18,197,719	-	-	-	18,197,719	19,171,480	-	-	-	19,171,480
Amounts recoverable from reinsurers										
Incurred claims & other expenses	-	-	(35,815,502)	942,272	(34,873,230)	-	-	4,781,351	-	4,781,351
Changes in amounts recoverable on incurred claims	-	-	18,570,323	(2,545,426)	16,024,897	-	-	(16,103,239)	1,319,507	(14,783,732)
Total amounts recoverable from reinsurers	-	-	(17,245,179)	(1,603,154)	(18,848,333)	-	-	(11,321,888)	1,319,507	(10,002,381)
Total Expense from reinsurance	18,197,719	-	(17,245,179)	(1,603,154)	(650,614)	19,171,480	-	(11,321,888)	1,319,507	9,169,099
Net finance (income) / expense from reinsurance contracts	-	-	(986,349)	-	(986,349)	-	-	788,170	-	788,170
Effect of movements in exchange rates	3,745	-	(3,146)	(1,129)	(530)	5,070	-	(7,261)	(456)	(2,647)
Total changes in the consolidated statement of income	18,201,464	-	(18,234,674)	(1,604,283)	(1,637,493)	19,176,550	-	(10,540,979)	1,319,051	9,954,622
Cash flows:										
Premiums paid	(25,685,994)	-	-	-	(25,685,994)	(15,348,938)	-	-	-	(15,348,938)
Claims and other recoveries	-	-	11,347,998	-	11,347,998	-	-	11,562,125	-	11,562,125
Directly attributable expenses paid	-	-	(78,006)	-	(78,006)	-	-	(589,990)	-	(589,990)
Total cash flows	(25,685,994)	-	11,269,992	-	(14,416,002)	(15,348,938)	-	10,972,135	-	(4,376,803)
Net closing balance	9,156,668	-	(56,419,699)	(3,825,223)	(51,088,254)	16,641,198	-	(49,455,017)	(2,220,940)	(35,034,759)
Closing liabilities	10,142,497	-	(3,874,528)	(319,129)	5,948,840	21,681,804	-	(90,000)	(8,663)	21,583,141
Closing assets	(985,829)	-	(52,545,171)	(3,506,094)	(57,037,094)	(5,040,606)	-	(49,365,017)	(2,212,277)	(56,617,900)
Net closing balance	9,156,668	-	(56,419,699)	(3,825,223)	(51,088,254)	16,641,198	-	(49,455,017)	(2,220,940)	(35,034,759)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

12 OTHER ASSETS

	2023 ***KD***	*2022* *KD*
Accrued income	**5,814,770**	3,193,012
Other debit balances	**1,971,575**	2,040,439
	7,786,345	5,233,451

13 SHARE CAPITAL

Authorized, issued and fully paid-up share capital consists of 220,500,000 shares (31 December 2022: 220,500,000 shares) of 100 fils each.

14 RESERVES

Statutory reserve
As required by the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 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**.**

As the statutory reserve reached above 50% of share capital, the Parent Company's board of directors has not transferred any amount from retained earnings to the statutory reserve.

Voluntary reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees is required to be transferred to the general reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. The Parent Company's board of directors has proposed to not transfer any amount from retained earnings to the voluntary reserve.

Special voluntary reserve
In accordance with the Parent Company's Memorandum of Incorporation and Articles of Association, the board of directors can resolve to transfer certain amount of the profit for the year to the special voluntary reserve.

On 10 March 2024, the Parent Company's board of directors has proposed to transfer an amount of KD 1,000,000 from retained earnings to the special voluntary reserve subject to the approval of the Ordinary Annual General Assembly of the Parent Company's shareholders for the year ended 31 December 2023.

On 21 February 2023, the Parent Company's board of directors has proposed to transfer an amount of KD 1,000,000 from retained earnings to the special voluntary reserve and has been approved at the Ordinary Annual General Assembly of the Parent Company's shareholders for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

15 TREASURY SHARES

	2023
Number of shares	**3,803,360**
Percentage of issued shares (%)	**1.72**
Market value (KD)	**2,320,050**

An amount of KD 1,278,932 (31 December 2022: KD 1,278,932) equivalent to the cost of purchas shares have been earmarked as non-distributable from reserves and retained earnings throughout th of treasury shares as per CMA guidelines.

The weighted average market price of the Parent Company's shares for the year ended 31 was 579 fils per share (31 December 2022: 510 fils per share).

16 OTHER LIABILITIES

	2023 *KD*
Accrued employees' bonus, leave balance and end of service benefits	**6,347,389**
Dividends payable	**544,976**
Accrued expenses	**52,221**
Board of directors' fees	**598,841**
Other payables	**10,888,591**
KFAS, NLST and Zakat payables	**1,021,049**
	19,453,067

17 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable segments: Non-life insurance, Life insurance, Reinsurance and investments. Within General risk insurance is Marine and Aviation, General Accidents 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:

A) Segment information – consolidated statement of income

Year ended 31 December 2023:	*Non-life KD*	*Life and medical insurance KD*	*Total Non-life & life KD*	*Reinsurance operations KD*	*Investments KD*	*Total KD*
Insurance service result before reinsurance contracts held	**10,848,353**	**7,586,495**	**18,434,848**	**1,242,250**	**-**	**19,677,098**
Reinsurance contracts held	**(4,230,922)**	**(867,557)**	**(5,098,479)**	**5,749,093**	**-**	**650,614**
Finance expenses from insurance contracts issued	**(456,263)**	**(666,521)**	**(1,122,784)**	**(1,665,926)**	**-**	**(2,788,710)**
Finance income from reinsurance contracts held	**276,821**	**171,988**	**448,809**	**537,540**	**-**	**986,349**
Net insurance financial result	**6,437,989**	**6,224,405**	**12,662,394**	**5,862,957**	**-**	**18,525,351**
Investment income	**-**	**-**	**-**	**6,629,993**	**6,042,383**	**12,672,376**
Rental income from investment properties	**-**	**-**	**-**	**687,107**	**-**	**687,107**
Other expense	**247,190**	**(749,841)**	**(502,651)**	**-**	**-**	**(502,651)**
Investment property operating expenses	**-**	**-**	**-**	**(77,909)**	**-**	**(77,909)**
Unallocated general and administrative expenses	**(3,170,831)**	**(4,040,995)**	**(7,211,826)**	**(960,237)**	**-**	**(8,172,063)**
Revaluation gain on investment properties	**-**	**-**	**-**	**25,740**	**-**	**25,740**
Foreign exchange difference	**-**	**-**	**-**	**(482,185)**	**-**	**(482,185)**
Profit before contribution to KFAS, NLST, Zakat and Directors' fees	**3,514,348**	**1,433,569**	**4,947,917**	**11,685,466**	**6,042,383**	**22,675,766**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

17 SEGMENT INFORMATION (continued)

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

Year ended 31 December 2022 (Restated):	*Non life* *KD*	*Life and medical insurance* *KD*	*Total Non life & life* *KD*	*Reinsurance operations* *KD*	*Investments* *KD*	*Total* *KD*
Insurance service result before reinsurance contracts held	6,403,852	1,606,083	8,009,935	8,598,849	-	16,608,784
Reinsurance contracts held	(3,475,367)	(376,425)	(3,851,792)	(5,317,307)	-	(9,169,099)
Finance income from insurance contracts issued	1,703,052	567,684	2,270,736	2,649,103	-	4,919,839
Finance expenses from reinsurance contracts held	(520,950)	(181,949)	(702,899)	(85,271)	-	(788,170)
Net insurance financial result	4,110,587	1,615,393	5,725,980	5,845,374	-	11,571,354
Investment income	-	-	-	3,910,466	7,033,933	10,944,399
Rental income from investment properties	-	-	-	692,154	-	692,154
Other income	270,433	(562,422)	(291,989)	2,500	-	(289,489)
Investment property expenses	-	-	-	(89,735)	-	(89,735)
Unallocated general and administrative expenses	(2,450,805)	(345,432)	(2,796,237)	(852,407)	-	(3,648,644)
Revaluation gain on investment properties	-	-	-	5,603	-	5,603
Foreign exchange difference	-	-	-	(667,562)	-	(667,562)
Profit before contribution to KFAS, NLST, Zakat and Directors' fees	1,930,215	707,539	2,637,754	8,846,393	7,033,933	18,518,080

17 SEGMENT INFORMATION (continued)

B) Segment information – Consolidated statement of financial position

	Non-life risk insurance KD	*Life and medical insurance KD*	*Reinsurance operations KD*	*Investment KD*	*Total KD*
31 December 2023					
Assets	**31,525,430**	**13,251,500**	**198,821,186**	**131,062,852**	**374,660,968**
Liabilities	**45,139,697**	**61,691,852**	**119,134,465**	**977**	**225,966,991**
31 December 2022 (Restated)					
Assets	48,938,513	20,973,649	160,881,250	128,569,884	359,363,296
Liabilities	51,926,877	71,708,544	90,406,114	977	214,042,512

18 ARAB WAR RISKS INSURANCE SYNDICATE (AWRIS)

According to the latest advice received from AWRIS, the Group's interest in the undistributed profits of AWRIS amounted to KD 1,365,911 (USD 4,445,601) (2022: KD 1,351,619 (USD 4,405,538)).

19 RELATED PARTY TRANSACTIONS

Related parties represent i.e. major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management and the board of directors.

Transactions with related parties included in the consolidated statement of income are as follows:

31 December 2023	***Key management and board members KD***	***Associates KD***	***Parent Company's shareholders KD***	***Others KD***	***Total KD***
Gross premium	**50,572**	**67,060**	**2,264,839**	**20,179**	**2,402,650**
Claims incurred	**-**	**68,515**	**598,133**	**94,658**	**761,306**
Dividend income	**-**	**-**	**-**	**42,915**	**42,915**

31 December 2022 (Restated)	*Key management and board members KD*	*Associates KD*	*Parent Company's shareholders KD*	*Others KD*	*Total KD*
Gross premium	64,774	389,944	1,843,708	35,537	2,333,963
Claims incurred	-	234,635	295,936	-	530,571
Dividend income	-	-	-	93,045	93,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

19 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

31 December 2023	***Key management and board members KD***	***Associates KD***	***Parent Company's shareholders KD***	***Others KD***	***Total KD***
Premium receivable	**74,208**	**45,870**	**1,903,976**	**8,644**	**2,032,698**
Other credit balances	**-**	**-**	**15,400**	**-**	**15,400**
Financial assets	**-**	**-**	**-**	**1,785,971**	**1,785,971**

31 December 2022 (Restated)	*Key management and board members KD*	*Associates KD*	*Parent Company's shareholders KD*	*Others KD*	*Total KD*
Premium receivable	51,898	312,759	1,726,575	7,806	2,099,038
Other credit balances	-	2,345	5,954	250	8,549
Financial assets	-	-	-	1,816,919	1,816,919

Key management personnel compensation:

Key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

	2023 KD	*2022 KD*
Salaries and other short-term benefits	**963,051**	888,111
Employees' end of service benefits	**124,157**	230,674
	1,087,208	1,118,785

20 CAPITAL COMMITMENTS AND CONTINGENCIES

(a) As at 31 December 2023, the Group has future capital commitments with respect to purchase of financial assets amounting to KD 3,485,701 (2022: KD 2,747,125) and has contingent liabilities in respect of letter of credit arising from the subsidiary, granted by a bank amounting to KD 39,680 (2022: KD 45,318), and letter of guarantee granted by a bank to the Parent Company amounting to KD 1,594,604 (2022: KD 1,412,182) from which it is anticipated that no material liabilities will arise.

(b) The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, The Parent Company's management does not believe that such proceedings (including litigation) will have a material effect on its results and its consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

21 STATUTORY GUARANTEES

The following amounts are held in Kuwait by the Parent Company as security for the order of the Insurance Regulatory Unit in accordance with the law 125 for year 2019 :

(a) Investments of KD 500,000 (2022: KD 500,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Investments of 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) Other investments, in the form of deposits and bonds amounting to KD 7,345,000 (2022: KD 6,095,000) are held in Kuwait.

22 RISK MANAGEMENT

(a) Governance framework

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

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

(b) Regulatory framework

Law No. 125 of 2019, and its Executive by law, and the rules, Decisions, Circulars and regulations issued by the Insurance Regulatory Unit (IRU) provide the regulatory framework for the insurance industry in Kuwait will be effective, which state that all insurance companies operating in Kuwait are required to follow these rules and regulations.
The following are the key regulations governing the operation of the Group:

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

The Group's Governance, Risk Management and Compliance (G.R.C.) sector is responsible for monitoring compliance with the all applicable regulations in the state of Kuwait and has delegated authorities and responsibilities from the board of directors to ensure that the Group is fully complied with the regulations.

The Group's risk department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

Capital management objectives

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

22 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach (continued)

Capital management objectives (continued)
The Group has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

The capital management objectives are:
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximise the shareholders returns through obtaining the best return on capital.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Insurance Regulatory Unit. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

Capital management policies
The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Insurance Regulatory Unit, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach
The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholders fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics through the Group's internal Capital Model. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The capital requirements are routinely forecasted on a periodic basis using the Group's internal Capital Model and assessed against both the forecasted available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the board.

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

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

The majority of insurance business ceded is placed on a quota share basis with retention limits varying by product line and territory.

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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

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

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

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

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

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

For life insurance the main risks are claims for death or permanent disability.

The reinsuring strategy for the life of business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the terms of the policies with the insurer to cover the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history.

▸ ***Key assumptions***

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence; changes in market factors such as public attitude to claiming; economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

▸ ***Sensitivities***

The insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. Furthermore, because of delays that arises between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the end of the reporting period. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent period.

Claims development table

The following tables show the estimate of cumulative incurred claims for life and non-life segments, including claims notified for each successive accident year at each statement of consolidated 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.

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Claims development table (continued)
The following tables show the cumulative claims incurred for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimate, and cumulative payments are translated to the presentation currency at average exchange rates of the current financial year.

Gross insurance contracts' outstanding claims and IBNR provision as of 31 December 2023:

	2018 *KD*	*2019* *KD*	*2020* *KD*	*2021* *KD*	*2022* *KD*	*2023* *KD*	***Total*** ***KD***
a) Gross incurred claims & IBNR							
At end of accident year	70,421,195	82,877,247	88,063,306	95,643,307	105,554,175	73,834,134	**516,393,364**
One year later	50,587,888	45,730,700	45,152,289	58,114,346	75,847,593	-	**275,432,816**
Two years later	57,826,513	55,115,375	48,785,062	68,711,539	-	-	**230,438,489**
Three years later	63,423,658	57,803,431	57,605,634	-	-	-	**178,832,723**
Four years later	69,187,995	61,807,291	-	-	-	-	**130,995,286**
Five years later	71,869,733	-	-	-	-	-	**71,869,733**
Current estimate of cumulative claims incurred	71,869,733	61,807,291	57,605,634	68,711,539	75,847,593	73,834,134	**409,675,924**
b) Less: cumulative payments to date	(64,614,314)	(49,434,799)	(38,244,038)	(42,924,344)	(33,802,418)	(6,421,620)	**(235,441,533)**
Liability recognized in the consolidated statement of financial position	7,255,419	12,372,492	19,361,596	25,787,195	42,045,175	67,412,514	**174,234,391**
Claims payable, risk Adjustment and ULAE and liabilities before 2018							**56,138,184**
Discounting							**(12,792,664)**
Total liabilities included in the liability for incurred claims							**217,579,911**

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Claims development table (continued)

Net insurance contracts' outstanding claims and IBNR provision as of 31 December 2023:

	2018 *KD*	*2019* *KD*	*2020* *KD*	*2021* *KD*	*2022* *KD*	*2023* *KD*	***Total*** ***KD***
a) Net incurred claims							
At end of accident year	49,356,715	59,020,749	59,407,336	64,248,142	74,840,345	64,386,551	**371,259,838**
One year later	37,587,856	35,198,971	40,093,803	50,392,112	53,296,246	-	**216,568,988**
Two years later	41,175,313	42,598,064	41,070,052	56,925,018	-	-	**181,768,447**
Three years later	42,959,334	42,360,224	47,858,042	-	-	-	**133,177,600**
Four years later	42,593,555	44,284,690	-	-	-	-	**86,878,245**
Five years later	44,597,725	-	-	-	-	-	**44,597,725**
Current estimate of cumulative claims incurred	44,597,725	44,284,690	47,858,042	56,925,018	53,296,246	64,386,551	**311,348,272**
b) Less: cumulative payments to date	(38,401,618)	(34,479,405)	(32,921,782)	(36,942,097)	(29,164,351)	(5,802,907)	**(177,712,160)**
Net Liability recognized in the consolidated statement of financial position	**6,196,107**	**9,805,285**	**14,936,260**	**19,982,921**	**24,131,895**	**58,583,644**	**133,636,112**
Claims payable, risk Adjustment and ULAE and liabilities before 2018							**33,339,943**
Discounting							**(9,641,066)**
Total Net liability included in the liability for incurred claims							**157,334,989**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Sensitivities on major assumptions considered while applying IFRS 17
The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss for reasonably possible movements in key assumptions with all other assumptions in note 2 held constant. 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 non–linear.

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:

	2023		2022	
	LIC as at 31 December	**Impact on LIC**	LIC as at 31 December	Impact on LIC
	KD	***KD***	*KD*	*KD*
Insurance contract liabilities	**217,579,911**		184,660,455	
Reinsurance contract assets	**(60,244,922)**		(51,675,957)	
Net insurance contract liabilities	**157,334,989**		132,984,498	
Best estimate reserves ± 1%				
Insurance contract liabilities		**1,664,652**		1,555,619
Reinsurance contract assets		**(564,197)**		(494,550)
Net insurance contract liabilities		**1,100,455**		1,061,069
Risk adjustment ± 1%				
Insurance contract liabilities		**511,147**		290,985
Reinsurance contract assets		**(38,252)**		(22,209)
Net insurance contract liabilities		**472,895**		268,776
Yield curve ± 1%				
Insurance contract liabilities		**(578,872)**		(491,290)
Reinsurance contract assets		**152,797**		131,064
Net insurance contract liabilities		**(426,075)**		(360,226)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

22 RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

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

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

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

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party.

These procedures include the non-concentration of credit risk which is carefully monitored on a regular basis.

Financial assets which potentially subject the Group to credit risk consist principally of bank balances, term deposits, financial assets held to maturity and reinsurance related receivables. The Group's bank balances and term deposits are held with high credit quality banks and financial institutions. Financial assets held to maturity are issued by financial institutions with high credit rating. Reinsurance receivables are presented net of allowance for doubtful debts.

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

	31 December 2023				
Exposure credit risk by classifying financial assets according to type of insurance	***Non-life insurance KD***	***Life insurance KD***	***Reinsurance operations KD***	***Others KD***	***Total KD***
Debt instrument at amortised cost	**9,555,194**	**12,542,917**	**21,999,600**	**-**	**44,097,711**
Insurance contract assets	**-**	**-**	**5,363**	**-**	**5,363**
Reinsurance contract assets	**23,572,321**	**11,343,109**	**22,121,664**	**-**	**57,037,094**
Other assets	**3,023,243**	**1,441,678**	**3,320,567**	**857**	**7,786,345**
Term deposits	**9,485,000**	**37,117,175**	**122,109,027**	**625,958**	**169,337,160**
Bank balances	**3,033,783**	**19,986**	**5,123,034**	**4,365**	**8,181,168**
Total credit risk exposure	**48,669,541**	**62,464,865**	**174,679,255**	**631,180**	**286,444,841**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure credit risk by classifying financial assets according to type of insurance	*31 December 2022 (Restated)* Non-life insurance KD	Life insurance KD	Reinsurance operations KD	Others KD	Total KD
Financial assets held to maturity (debt securities)	9,561,087	9,250,000	18,699,600	-	37,510,687
Bonds classified as available-for-sale financial assets	-	-	232,664	-	232,664
Insurance contract assets	15,955,345	-	187,110	-	16,142,455
Reinsurance contract assets	34,231,962	12,983,060	9,402,878	-	56,617,900
Other assets	2,336,842	1,111,739	1,766,337	18,533	5,233,451
Term deposits	8,735,000	33,598,615	103,398,510	848,846	146,580,971
Bank balances	2,121,389	108,977	4,652,724	522,520	7,405,610
Total credit risk exposure	72,941,625	57,052,391	138,339,823	1,389,899	269,723,738

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				
Debt instrument at amortised cost	**9,087,532**	**34,999,600**	**10,579**	**44,097,711**
Insurance contract assets	**-**	**5,363**	**-**	**5,363**
Reinsurance contract assets	**42,715,652**	**14,321,442**	**-**	**57,037,094**
Other assets	**2,231,458**	**-**	**5,554,887**	**7,786,345**
Term deposits	**169,337,160**	**-**	**-**	**169,337,160**
Bank balances	**8,181,168**	**-**	**-**	**8,181,168**
Total credit risk exposure	**231,552,970**	**49,326,405**	**5,565,466**	**286,444,841**

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 (Restated)				
Financial assets held to maturity (debt securities)	9,100,000	28,399,600	11,087	37,510,687
Bonds classified as available-for-sale financial assets	-	-	232,664	232,664
Insurance contract assets	-	16,142,455	-	16,142,455
Reinsurance contract assets	42,401,713	14,216,187	-	56,617,900
Other assets	1,493,479	-	3,739,972	5,233,451
Term deposits	146,580,971	-	-	146,580,971
Bank balances	7,405,610	-	-	7,405,610
Total credit risk exposure	206,981,773	58,758,242	3,983,723	269,723,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Unrated assets are classified as follows using internal credit ratings.

31 December 2023	*Neither past due nor impaired KD*	*Past due or impaired KD*	*Total KD*
Debt instrument at amortised cost	**10,579**	-	**10,579**
Other assets	**5,554,887**	-	**5,554,887**
	5,565,466	-	**5,565,466**

31 December 2022 (Restated)	*Neither past due nor impaired KD*	*Past due or impaired KD*	*Total KD*
Financial assets held to maturity	11,087	-	11,087
Bonds classified as available-for-sale financial assets	232,664	-	232,664
Other assets	3,739,972	-	3,739,972
	3,983,723	-	3,983,723

Risk concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the geographical regions as follows:

	Kuwait KD	***GCC and the rest of the Middle East KD***	***Others KD***	***Total KD***
2023				
Bank balances and term deposits	**145,898,821**	**217,175**	**31,402,332**	**177,518,328**
Debt instruments at amortised cost	**44,087,132**	**10,579**	-	**44,097,711**
Insurance contract assets	**128**	**1,486**	**3,749**	**5,363**
Reinsurance contract assets	**2,619,770**	**11,767,581**	**42,649,743**	**57,037,094**
Other assets	**7,021,809**	-	**764,536**	**7,786,345**
Maximum exposure to credit risk	**199,627,660**	**11,996,821**	**74,820,360**	**286,444,841**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Risk concentration of maximum exposure to credit risk (continued)

	Kuwait KD	*GCC and the rest of the Middle East KD*	*Others KD*	*Total KD*
2022				
Bank balances and term deposits	127,908,500	198,615	25,879,466	153,986,581
Bonds classified as available-for-sale financial assets	232,664			232,664
Financial assets held to maturity	37,510,687	-	-	37,510,687
Insurance contract assets	385,275	4,472,812	11,284,368	16,142,455
Reinsurance contract assets	2,600,516	11,681,095	42,336,289	56,617,900
Other assets	4,658,152	-	575,299	5,233,451
Maximum exposure to credit risk	173,295,794	16,352,522	80,075,422	269,723,738

Others include risks generated from non-MENA regions mainly Asia, Africa and Europe.

(2) Liquidity risk

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

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

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2023	***Within 3 months KD***	***3 to 12 months KD***	***More than 12 months KD***	***Total KD***
Financial liabilities				
Other liabilities	**1,015,766**	**17,976,369**	**460,932**	**19,453,067**
Insurance contract liabilities	**1,501,853**	**127,989,482**	**71,073,749**	**200,565,084**
Reinsurance contract liabilities	**46,581**	**3,797,569**	**2,104,690**	**5,948,840**
	2,564,200	**149,763,420**	**73,639,371**	**225,966,991**

2022	*Within 3 months KD*	*3 to 12 Months KD*	*More than 12 months KD*	*Total KD*
Financial liabilities				
Other liabilities	2,178,579	9,440,508	2,904,772	14,523,859
Insurance contract liabilities	26,690,327	115,658,083	35,587,102	177,935,512
Reinsurance contract liabilities	3,237,471	14,029,042	4,316,628	21,583,141
	32,106,377	139,127,633	42,808,502	214,042,512

22 RISK MANAGEMENT (continued)

(2) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets available for sale, investment properties and property and equipment are based on management's estimate of liquidation of those assets.

2023	*Within 3 months KD*	*3 to 12 months KD*	*Over one year KD*	***Total KD***
Assets				
Cash and cash equivalent	**8,181,168**	**-**	**-**	**8,181,168**
Term deposits	**-**	**169,337,160**	**-**	**169,337,160**
Other assets	**195,432**	**7,529,006**	**61,907**	**7,786,345**
Insurance contract assets	**829**	**3,008**	**1,526**	**5,363**
Reinsurance contract assets	**11,172,936**	**25,229,251**	**20,634,907**	**57,037,094**
Debt instruments at amortised cost	**-**	**399,600**	**43,698,111**	**44,097,711**
Financial assets at fair value through other comprehensive income	**18,478,724**	**-**	**-**	**18,478,724**
Financial assets at fair value through profit or loss	**29,339,851**	**-**	**-**	**29,339,851**
Investment properties	**-**	**-**	**11,834,859**	**11,834,859**
Investments in associates	**-**	**-**	**25,247,377**	**25,247,377**
Property and equipment	**-**	**-**	**3,315,316**	**3,315,316**
Total assets	**67,368,940**	**202,498,025**	**104,794,003**	**374,660,968**
Liabilities				
Insurance contract liabilities	**1,501,853**	**127,989,482**	**71,073,749**	**200,565,084**
Reinsurance contract liabilities	**46,581**	**3,797,569**	**2,104,690**	**5,948,840**
Other liabilities	**1,015,766**	**17,976,369**	**460,932**	**19,453,067**
Total liabilities	**2,564,200**	**149,763,420**	**73,639,371**	**225,966,991**

2022 (Restated)	*Within 3 months KD*	*3 to 12 months KD*	*Over one year KD*	*Total KD*
Assets				
Cash and cash equivalent	7,405,610	-	-	7,405,610
Term deposits	-	146,580,971	-	146,580,971
Other assets	167,256	1,599,081	-	1,766,337
Insurance contract assets	31,482	113,672	41,956	187,110
Reinsurance contract assets	-	1,746,207	7,656,671	9,402,878
Available-for-sale financial assets	36,426,359	131,968	14,493,806	51,052,133
Financial assets held to maturity	-	232,664	37,278,023	37,510,687
Investment properties	-	-	11,816,347	11,816,347
Property and equipment	-	-	3,271,042	3,271,042
Total assets	44,030,707	150,404,563	74,557,845	268,993,115
Liabilities				
Insurance contract liabilities	26,690,327	115,658,083	35,587,102	177,935,512
Reinsurance contract liabilities	3,237,471	14,029,042	4,316,628	21,583,141
Other liabilities	2,178,579	9,440,508	2,904,772	14,523,859
Total liabilities	32,106,377	139,127,633	42,808,502	214,042,512

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

22 RISK MANAGEMENT (continued)

(3) Market risk (continued)

(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 effect of decrease in currency rate on profit and other comprehensive income is expected to be equal and opposite to the effect of the increases shown.

		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**	**920,981**	**1,245,885**	135,485	1,999,190
JD	**±5**	-	**60,695**	2,007	74,024
EGP	**±5**	-	-	317	128,686
Euro	**±5**	**260,508**	-	13,838	1,724
GBP	**±5**	**82,130**	-	3,893	238,720
Others	**±5**	-	**71,008**	148	1,930,060

(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 not exposed to significant 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 FVOCI financial assets at 31 December due to ±5% change in the following market indices with all other variables held constant is as follows:

Market indices		***2023 KD***	*2022 KD*
Kuwait	±	**1,381,072**	2,398,645
Other GCC countries	±	**87,632**	5,925

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

Market indices		***2023 KD***	*2022 KD*
Kuwait	±	**603,532**	-
Other GCC countries	±	-	-

22 RISK MANAGEMENT (continued)

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

23 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.

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 and payables less term deposits and bank balances and cash. Capital includes equity of the Group.

	2023	*2022*
	KD	*KD*
Insurance contracts liabilities	**200,565,084**	177,935,512
Reinsurance contracts liabilities	**5,948,840**	21,583,141
Less:		
Term deposits	**(169,337,160)**	(146,580,971)
Bank balances and cash	**(8,181,168)**	(7,405,610)
Net debt	**28,995,596**	45,532,072
Total capital	**148,693,977**	145,320,784
Total capital and net debt	**177,689,573**	190,852,856
Gearing ratio	**16%**	24%

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Available for sale investments contain unquoted bonds carried at cost as at 31 December 2022 amounting to KD 6,119,599.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Fair value measurement using		
31 December 2023	***Quoted prices in active markets (Level 1) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
Investments carried at fair value through other comprehensive income:			
Quoted equity securities	**8,755,005**	**-**	**8,755,005**
Unquoted equity securities	**-**	**7,227,313**	**7,227,313**
Unquoted managed funds	**-**	**2,496,406**	**2,496,406**
Total	**8,755,005**	**9,723,719**	**18,478,724**
Investments carried at fair value through profit or loss:			
Quoted equity securities	**15,232,993**	**-**	**15,232,993**
Unquoted equity securities	**-**	**1,112,621**	**1,112,621**
Unquoted managed funds	**-**	**12,994,237**	**12,994,237**
Total	**15,232,993**	**14,106,858**	**29,339,851**

31 December 2022	*Quoted prices in active markets (Level 1) KD*	*Significant unobservable inputs (Level 3) KD*	*Total fair value KD*
Available-for-sale financial assets:			
Quoted equity securities	21,924,484	-	21,924,484
Unquoted equity securities	-	8,567,414	8,567,414
Unquoted managed funds	-	14,440,636	14,440,636
Total	21,924,484	23,008,050	44,932,534
Financial assets at fair value through profit or loss:			
Unquoted equity securities	-	1,118,612	1,118,612

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 (DLOM)	10%	An increase or (decrease) by 10% in the discount for lack of marketability & lack of control would result in (decrease) or increase in fair value by KD 723 thousand.
Unquoted equity securities	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 or (decrease) by 10% i the price to book multiple would result in increase or (decrease) in fair value by KD 723 thousand.
Unquoted managed funds	Adjusted net assets value	Discount for lack of marketability	10%	An increase or (decrease) by 10% in the discount for lack of marketability would result in (decrease) increase in fair value by KD 250 thousand.

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

	As at 1 January 2023 KD	*Transferred on transition of IFRS 9 KD*	*Change recorded in the consolidated statement of comprehensive income KD*	*Net result recorded in the consolidated statement of income KD*	*Net purchases and disposals KD*	*As at 31 December 2023 KD*
Investments carried at fair value through other comprehensive income:						
Unquoted equity securities	-	**14,195,445**	**(6,962,563)**	-	**(5,569)**	**7,227,313**
Unquoted managed funds	-	**2,481,037**	**45,056**	**-**	**(29,687)**	**2,496,406**
	-	**16,676,482**	**(6,917,507)**	-	**(35,256)**	**9,723,719**
Investments carried at fair value through profit or loss:						
Unquoted equity securities	**1,118,612**	**-**	-	**-**	**(5,991)**	**1,112,621**
Unquoted managed funds	-	**11,999,628**	-	**178,696**	**815,913**	**12,994,237**
	1,118,612	**11,999,628**	**-**	**178,696**	**809,922**	**14,106,858**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the year KD	*Net result recorded in the consolidated statement of comprehensive income KD*	*Net result recorded in the consolidated statement of income KD*	*Net purchase, transfer, sale & settlements KD*	*At the end of the year KD*
31 December 2022					
Available-for-sale financial assets:					
Unquoted equity securities	8,459,533	113,281	(5,400)	-	8,567,414
Unquoted managed funds	15,978,098	(575,640)	(231,986)	(729,836)	14,440,636
	24,437,631	(462,359)	(237,386)	(729,836)	23,008,050
Financial assets at fair value through profit or loss:					
Unquoted equity securities	753,534	-	352,849	12,229	1,118,612

25 DIVIDENDS, BONUS SHARES, AND DIRECTOR'S REMMUNERATION

Cash dividend and bonus shares

The Board of Directors of the Parent Company held on 10 March 2024 recommended cash dividends of 30%, with a total amount of KD 6,615,000. The Board of Directors also recommend in-kind distributions of 5% of Al-Ahleia Insurance Company's share in Kuwait Reinsurance Company, the subsidiary, to the shareholders of Al-Ahleia Company at a rate of one share for every 20 shares, after the approval of the Boursa Kuwait Securities Company and the regulatory authorities.

The Annual General Assembly meeting of the shareholders of the Parent Company held on 28 March 2023 approved the consolidated financial statements for the year ended 31 December 2022 and approved the cash dividends of 40% totaling to KD 8,667,866 (31 December 2021: 35% totaling to KD 7,584,382) Accordingly, cash dividends were recorded as dividends payable in the Parent Company's recorded as of the date of the Ordinary Annual General Assembly and was paid to the shareholders as starting from the payment date of 18 April 2023 which was defined in accordance with Capital Market Authority regulations.

The Annual General Assembly of the shareholders of the Parent Company approved the transfer of an amount of KD 1,000,000 from the profit for the year ended 31 December 2022 to the special voluntary reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

26 Auditor fees for audit and other service engagements

Audit fees
Audit and review fees include the auditor fees for audit of the Group consolidated financial statements on which the auditors express an opinion.

	2023 KD	*2022 KD*
The Parent Company	**33,500**	28,000
Consolidated controlling entities	**23,000**	23,000
Total audit fees	**56,500**	51,000
Other Agreed Upon Procedure	**3,400**	3,400
Total Fees	**59,900**	54,400

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1888 444 | @ahleiainsurance

AL AHLEIA INSURANCE COMPANY S.A.K.P
B.O.Box 1602 Safat 13017 Kuwait