



AL AHLEIA INSURANCE COMPANY S.A.K.P

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.

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 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 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%.

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%.

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.

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

//Signed//

//Stamp of AI AHLEIA INSURANCE COMPANY S.A.K.P//