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

Registered in accordance with the Insurance
Companies and Agents Law No. 24 for 1961

2021

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

AMIR OF KUWAIT

Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah

CROWN PRINCE

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.

Dr. Hussein Abd Al-Ghaffar
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

TECHNICAL TESTING BRANCH
Kuwait Motoring Co.
Tel./Fax: 24834400

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

CITIZEN SERVICES BRANCH
Sabhan
Tel.: 24710989 - Fax: 24710897

SUBSIDIARY COMPANIES

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

Trade Union Cooperative Insurance Co.
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 FIFTY-EIGHTH MEETING OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

1. Discussing to the Board of Directors' Report for the financial year ending 31 December 2021 and approving the same.
2. Recitation of the Corporate Governance report and Auditing Committee report for the financial year ending 31 December 2021.
3. Discussing to the Auditors' Report for the financial year ending 31 December 2021 and approving the same.
4. Discussing the Financial Statements for the financial year ending 31 December 2021 and approving the same.
5. Review the report of sanctions or infractions found by the controlling authorities for the financial year ending 31 December 2021 (if any).
6. Review the transactions with related parties that will take place during the financial year ending on 31 December 2022 and approve the transactions for the financial year ending on December 31, 2021.
7. Discussing to discount the sum of KD 1,000,000 from the profit of the financial year ending 31 December 2021 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 2021, according to the following timetable:

AGENDA

a- Cash dividend: at 35% (thirty-five percent) of the paid-up capital (i.e., thirty-five 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- 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 298,039 a remuneration to the Members of the Board of Directors for the financial year ending 31 December 2021.
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 139,663 of the profit of the financial year ending 31 December 2021 for Social Responsibility for the financial year ending 31 December 2022.
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 2021.
13. Re-appointing of auditors from the list of auditors approved by Capital Markets Authority (CMA) and authorizing the Board of Directors to determine their remuneration.

AGENDA

THE EXTRAORDINARY GENERAL ASSEMBLY MEETING

1. **Discussing the amendment of the company's articles of association by adding the following clause:**

   (89) Based on the proposal of the Board of Directors and the approval of the Ordinary General Assembly, the Company may distribute interim dividends over semi-annual or quarterly periods, and for the validity of this distribution, it is required that they be real profits in accordance with generally accepted accounting principles, provided that the distribution does not affect the paid-up capital, and the General Assembly Ordinary authorizing the Board of Directors, without affecting the paid-up capital of the company, to distribute interim profits in the manner mentioned above.

2. **Discussing the amendment of Article (43) of its statute as follows:**

   Original Text
   Shareholders are invited to attend the meetings of the General Assembly - whatever they are, by registered letters, and the invitation must include the agenda. The founders set the agenda of the general assembly held in a constitutive capacity, and the board of directors sets the agenda of the general assembly held in an ordinary or extraordinary capacity.

   Proposed Adjustment
   Shareholders are invited to attend the general assembly meetings - whatever they are, by registered letters, and the invitation must include the agenda. The board of directors sets the agenda for the general assembly, which is held in an ordinary or extraordinary capacity, and **"the meeting may be held using modern means of communication"**.

AGENDA

3. **Approval of increasing the company's authorized capital to be an amount of KD 30,000,000 (thirty million Kuwaiti dinars) distributed over 300,000,000 shares (three hundred million shares), the par value of each share of which is 100 fils (one hundred fils), and authorizing the Board of Directors to recall for an increase the issued and paid-up capital and by defining its conditions and controls, in whole or in part, in one instalment or more within the limits of the authorized capital, by a decision in which the amount, methods and type of increase, the date or dates of its recall and all its terms and conditions are determined, the Board of Directors may decide on an issue premium that determines its value to be added to the par value of the increase shares, and to dispose of the fractional shares resulting from the increase in the manner which BOD deems appropriate, and to authorize the board of directors to determine or delegate whomever fits to determine the dates of the subscription, trading, maturity, and distribution periods related to the company's capital increment, and to take in this regard all that is necessary for that, and the company's shareholders shall have the priority right to subscribe to the cash increment, each in proportion to his share in the company's capital for a period of no less than 15 days from the date of subscription commencement, after which the board of directors may allocate the surplus to new shareholders in accordance with the provisions of the law, also may seek the assistance or delegate of whomever fits in all or some of the foregoing, taking into consideration the fulfilment of the requirements and the issuance of approvals in accordance with the provisions of the law, regulations, instructions and decisions of the supervisory authorities.**

4. **Approving the amendment of Articles (6) of the memorandum of association and (7) of the company's articles of association as follows:**

   Original Text
   The Company's authorized, issued, and paid-up capital is KD 22,050,000 (twenty-two million and fifty thousand Kuwaiti dinars), divided into 220,500,000 shares (two hundred twenty million and five hundred thousand shares) the value of each share is 100 fils (one hundred fils) and all are cash shares

   Proposed Adjustment
   The Company's authorized, issued, and paid-up capital is KD 22,050,000 (twenty-two million and fifty thousand Kuwaiti dinars), divided into 220,500,000 shares (two hundred twenty million and five hundred thousand shares) the value of each share is 100 fils (one hundred fils) and all are cash shares.

   The Company's authorized capital is KD 30,000,000 (thirty million Kuwaiti dinars), divided into 300,000,000 shares (three hundred million shares) the value of each share is 100 fils (one hundred fils) and all are cash shares.

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

Report of the Board of directors
Submitted to the Shareholders during the 58th meeting of the Ordinary General Assembly at the Company's Head Office on Tuesday 5/4/2022 at 12:30 p.m.

Dear Shareholders,
On behalf of my fellow Members of the Board of Directors, it is my pleasure to present to you the 58th Annual Report of Al-Ahleia Insurance Company and its subsidiaries.

The year 2021 was the year of hope and optimism after the downturn that prevailed in the previous period. Al-Ahleia Insurance Company was able to constantly prove its worth in the insurance sector despite the conditions of Covid-19 that swept the world. The World Health Organization authorized the use of the anti-Covid 19 vaccine at the beginning of 2021, and if the goal of vaccination was not achieved by vaccinating 50% of the world's population, and here we are in the year 2022, and the Covid-19 pandemic still casts its shadow on the world, as the year 2021 was full of developments resulting from this virus and its mutations, and the numbers of infections witnessed a change and a great disparity between the rise and fall.

REPORT OF THE BOARD OF DIRECTORS

The world is currently on the threshold of a pivotal stage of massive digital transformation. The rate of cross-border data flows in the world may double. We find that the most important objectives of the digital economy are removing geographical, temporal, and structural barriers and improving dealing with cost constraints, knowing that to achieve this comes from adopting the digital economy and striving to develop it and paying attention to the accuracy of its indicators.

The digital transformation contributes to making the insurance markets more innovative for products while doubling its financial resources. Therefore, insurance companies are required to invest in data digitalization and services in line with the needs of customers and the market. Insurance companies should not be afraid of dealing with digital technology, as dealing with it will become imperative to survive in the insurance market.

Al-Ahleia Insurance Company continued its strong performance during the year 2021, realizing a net profit of KD 13,966,312 after amortizing unrealized losses in the profits and losses account of KD 1,383,827 and listing unrealized profits in shareholders' equity of KD 13,955,652 compared to profits of KD 12,184,667 in 2020, with a growth rate of 14.6%.

This growth is mainly attributed to the constancy of the firm's strategy that aims to continuously maximize returns for shareholders, provide distinguish insurance services to customers, achieve growth, and lasting improvement in profitability based on its financial solvency, and the strength of its credit rating.

> “The company realize a net profit 14 million Kuwaiti Dinar”

In doing so, the company relied on diversification of revenues and extending its wide network insurance coverage regionally, as well as offering new insurance products, and its share in the Trade Union Company in Bahrain has increased to (70.84%). This has resulted in achieving recorded results and continued to strengthen the company's reserves in order to reinforce its position both locally and regionally, and Al-Ahleia continues to reap the benefits of the diversity of its business at the local and regional levels.

In addition to that, the Company's management believes that corporate governance has become an essential means to improve performance to the highest degree that the board's charter and governance policies are constantly reviewed, developed, and strengthened, in addition to conducting a periodic evaluation of the effectiveness of the performance of the board of directors. Board members with accumulated skills and experiences provide the necessary support to the executive team led by the CEO of the company.

Al-Ahleia is keen to consolidate sustainability practices in all business and operational activities, based on the firm conviction that institutions that uphold the values of commitment and responsibility benefit the entire community and contribute to its advancement and preservation. Al-Ahleia is also committed to environmental and social sustainability and governance practices. And this reflects our commitment to the surrounding communities and the important role of institutions in preserving the environment while ensuring that the investment return for shareholders is maximized.

The success of Al-Ahleia is reflected in profitability ratios achieved based on the capital base and the quality of assets which amount to 372 million Kuwaiti Dinar (2020 : 336 million Kuwaiti Dinar) and its clear strategy which reflects the effectiveness of risk management and corporate governance standards applied by Al-Ahleia that protects it always from deterioration some economic markets inflicted many companies and shows that in all other financial indicators for Al-Ahleia average return on assets 4.1% and return on equity 11.4%.

Moreover, the Board of Directors guarantees integrity and reliability of the financial reports prepared thereby and submitted to shareholders. In the mainstream, the Executive Management ensured to the Audit Committee and the Board of Directors; integrity and reliability of the financial reports prepared thereby.

Referring to the position of Al-Ahleia Insurance Company and its leading regional prestige and international trust therein, Al-Ahleia Insurance Company managed to maintain its high credit ratings, as approved unanimously by the three world-class credit agencies, namely Standard & Poor's (A-), Moody's (A3) and AM Best (A-).

To present to you our brief report on the Company's activities during the year 2021, touching on the events that affected the insurance market in general and the performance of our Company in particular, accompanied by supportive figures for the entirety of this activity.

In 2021, the global insurance sector was affected by the deepest recession due to the Covid-19 pandemic since the thirties of the last century, and it is expected that the global gross domestic product (GDP) will shrink by 4% and this will lead to a decrease in the demand for insurance this year and the insurance industry should start returning to pre-pandemic levels by the beginning of 2022.

The profitability of the insurance industry will be supported by tightening insurance prices and accelerating the development of protection requirements from new risks that have emerged because of the crisis.

Nevertheless, Al Ahleia managed to renew its agreements on competitive terms and advantages due to its positive results over the years and its continuation with a conservative underwriting policy.

The policy of regional expansion also helped to enhance and improve the insurance portfolio through continuous efforts to increase individual insurances in addition to obtaining huge commercial and industrial insurances, of which shares can be exchanged with sister and associate companies, which encourages the increase of retention.

The insurance market in the State of Kuwait is witnessing more regulation and improvement, regulating the relationship between local insurance companies and policyholders, and ensuring the rights of customers, and this after the establishment of the Insurance Regulatory Unit and the approval of Law 125 of 2019 and

REPORT OF THE BOARD OF DIRECTORS

the adoption of the executive regulations of the law on 11th March 2021, to be effective within one year from the date of publishing the decision.

In addition to that, the increase in the share of Al-Ahleia Insurance Co. in Trade Union Insurance Co. in Bahrain and Trade Union Cooperative Insurance Company in the Kingdom of Saudi Arabia, resulting in a variety of sources of income. As well as the continuing of Kuwait Reinsurance Company to achieve good results and growth rates in its operational performance as a result of its implementation of a comprehensive strategy for business growth and management risks.

Top Management of Al-Ahleia is still working on a feasibility study of other Arab markets in preparation for increasing its expansion to achieve this important strategic objective by contributing to influential stakes in some of its companies.

The company's management adopts the policy of training young national calibers, relying on them, providing job opportunities, and sending them in training courses, whether inside or outside Kuwait. As the company always seeks to attract and develop national manpower, and accordingly, the management has raised the percentage of Kuwaitization in the company, and Al-Ahleia continues to vaccinate promising national talents to take over the leadership of the company.

The company is currently studying and analyzing work on implementing applications and starting to create the work environment so that all technical and support departments are fully prepared to implement the new international financial reporting standard No. 17 "Insurance Contracts" which will be valid and effective on January 1, 2023.

In addition to the Company's efforts in expanding through new fields of traditional insurance and its concern with strengthening the management of branches and the marketing department, the development of inward reinsurance falls within its strategies and goals.

> " The Company still working on a feasibility study of other Arab markets "

The figures below show that Company has continued to reinforce capital and technical reserves to guarantee the success of its ambitions and achieve the other different objectives without being subject to any fluctuations in the future results and to fortify the foundations for growth and development.

REPORT OF THE BOARD OF DIRECTORS

Year 2021 ended with the following results:

FIRST: INSURANCE ACTIVITY

The gross annual production amounted to KD 113.9 million against KD 101.1 million in 2020 i.e., an increase at the rate of 12.8%. The net technical return on insurance premiums totaled KD 8 million (KD 7.9 million in 2020), with a growth rate of 1.3%.

Here in after is a detailed summary of these aggregates:

General Accident (Non-Life business):

Gross written premiums amounted to KD 96,288,104 against KD 81,584,391 in 2020, i.e., an increase of KD 14,703,713 at the rate of 18%. The profit of these departments totaled KD 7,682,683 against KD 7,437,034 in 2020 with a growth rate of 3.3%.

The Marine & Aviation business produced a net profit of KD 1,584,838 against KD 1,956,760 in 2020, the General Accident (including Motor) ended with a net profit of KD 1,839,711 as against net profit of KD 2,997,930 in 2020, and the Fire achieved a net profit of KD 512,254 against KD 767,148 in 2020.

Kuwait Reinsurance Company has achieved a net profit of insurance activity amounting to KD 3,745,880 for the year 2021 against KD 1,715,196 in 2020.

Life & Medical Insurances:

Total premium income amounted to KD 17,624,107 against KD 19,493,460 in 2020 i.e., a decrease of KD 1,869,353 at the rate of 9.6%, achieving profit amounted to KD 218,629 against profit of KD 440,087 in 2020, after reassessment of the Mathematical Reserve by the Company's Actuary to reach KD 12,886,293.

The Company's investment in life and medical insurance made profits of KD 793,202 against KD 579,532 in 2020.

REPORT OF THE BOARD OF DIRECTORS

SECOND: OVERSEAS BUSINESS RUN-OFF

We continued the work of the Overseas Business Tails Follow-up Committee which is chaired by the CEO.

The Overseas Business Tails Follow-up Committee applied the principle of obsolescence as well as cut off business with some companies, which led to a decrease in the compensation reserve under the settlement. Also, the approved balances, bearing in mind that no amounts were paid in 2021, as the committee tightened the terms of payment and applied the principle of obsolescence and cut-offs to eliminate these tails and since 2018 until now, no payments have been made.

THIRD: INVESTMENT ACTIVITY

The Kuwaiti economy recovered during 2021, affected by the rise in oil prices, the acceleration of vaccination from Covid-19 and the low of interest; all these factors supported stimulating growth, as Kuwait recorded a growth in national product of 2.4% in 2021, after the state of deflation that prevailed in Kuwait like other countries in the world and the sharp drop in oil prices during 2020. Observers expect that the public debt law that was expected to be approved in 2021 it may be approved in 2022.

As the delay in approving the law led to the government's inability to borrow, which resulted in a depletion of liquidity, and thus led to the downgrading of the long-term sovereign rating of the State of Kuwait by international rating agencies.

Nevertheless, the result of the investment in the Company in 2021 made a profit of KD 10,302,836 before amortization of KD 1,383,827 in the profit and loss account as unrealized losses (Impairment) of the Company's investments, against profit of KD 9,108,035 in 2020 in addition to listing KD 13,955,652 as unrealized profits in equity.

FOURTH: PROFIT & LOSS ACCOUNT

The result of the Company's operations from both insurance and investments activities, after deducting the reserves, provisions and various items usually charged to the profit and loss account, indicates that the activities for the year have yielded a net profit of KD 13,966,312 against profit of KD 12,184,667 in 2020.

By adding profit brought forward from the previous year of KD 24,605,566 the gross profit allowable for distribution amounts to KD 38,571,818 compared to KD 31,815,016 for the year 2020.

The Board of Directors of the Company recommends deducting the amount of KD 1,000,000 of this year profit and add it to the Special Voluntary Reserve, KD 140,409 for Kuwait Foundation for the Advancement of Sciences representing the 1% earmarked year's profit as legally determined, an amount of KD 391,895 to support the National Workforce and an amount of KD 156,494 to Zakat. The Board of Directors also recommends the distribution of the sum of KD 7,717,500 to the Shareholders of the Company of the Paid-up Capital at the rate of 35%, i.e., 35 fils per share.

The Board of Directors also suggests allocating KD 298,039 as Directors' remuneration for the fiscal year ending 31 December 2021 and to carry forward the remaining net profit of KD 5,248,812 to the next year.

On the basis of all the foregoing, the Special Voluntary Reserve shall become as KD 17,000,000 and the profits carried forward to the next year KD 29,854,318 beside the additional technical reserves in the various insurance branches reaching KD 25,654,046.

FIFTH: BOARD OF DIRECTORS' AUTHORIZATION TO PURCHASE OR SELL THE COMPANY'S SHARES

The Board of Directors recommends authorizing itself 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 implementing regulations and amendments.

" Our appreciation for the Company's valuable Shareholders, Management, Administrative and Employees "

SIXTH: GRATITUDE AND APPRECIATION

In concluding our report, we extend our appreciation and gratitude to H.H. the Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, as the ruler of Kuwait for his leadership, and noble prudence, and H.H. Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, the Crown prince, and appeal to Almighty God to support them in continuing their efforts for the advancement and prosperity of the State of Kuwait, reinforcing the Kuwaiti economy, supporting national companies and providing comprehensive patronage for the citizens of their country and to their nation for a more constructive and prosperous future.

We would like also to express our thanks to the Ministry of Commerce and Industry, represented by the administration of insurance companies and the Insurance Regulatory Unit, for their attention and understanding of the local market circumstances. Our thank is also extended to the Ministry of Interior represented by the Traffic Department for their continuous efforts to control the roads and develop compulsory motor insurance.

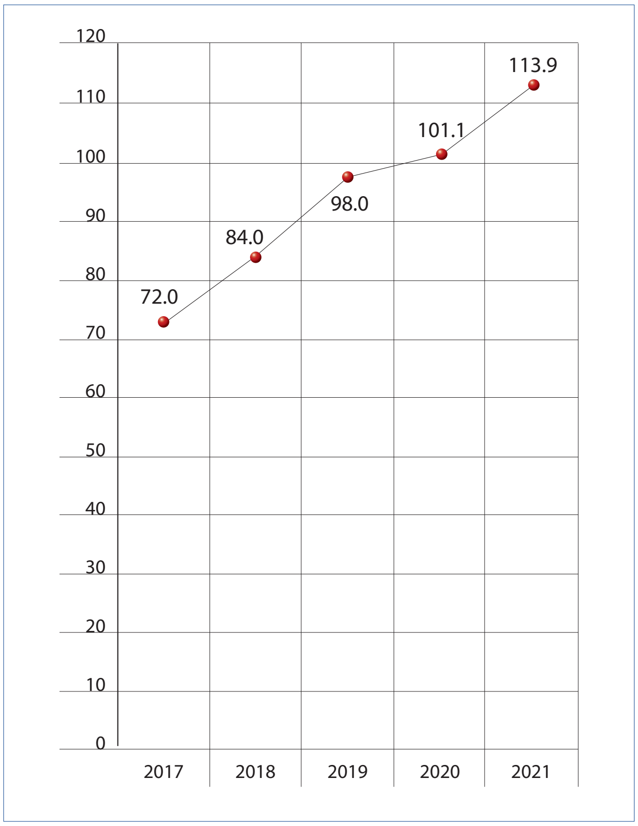
As well, we extend special gratitude to the Company's valuable Shareholders and clients for their continuous trust and support. Our appreciation and gratitude also go to our Reinsurers for their support and prompt reaction to our legitimate needs, and for immediate claims that require massive compensation.

On this occasion, the Board of Directors would like to place on record their appreciation for the great efforts and full devotion of the Company's management on all administrative and technical levels, as well as the employees, which leads towards Company progress and prosperity in a unique family environment and teamwork so as to offer the best.

We conclude this annual report by appealing to God to perpetuate the blessing of security and stability for us and to lift the scourge and the epidemic from us in the near future.

May His peace, mercy and blessings be with you always.

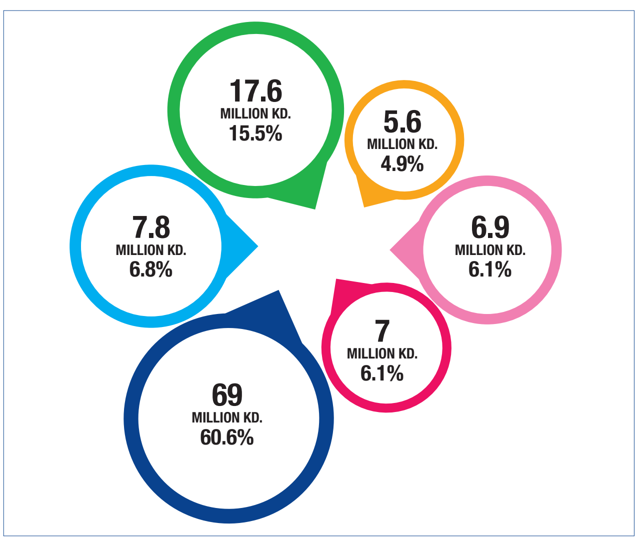
Ayman Abdullatif Al-Shayea
Chairman



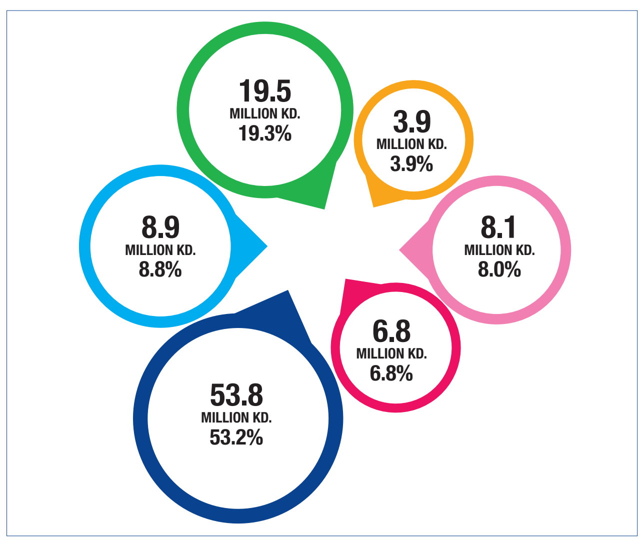
Insurance Activity
(in million KD)

Gross Written Premiums
(in million KD)

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

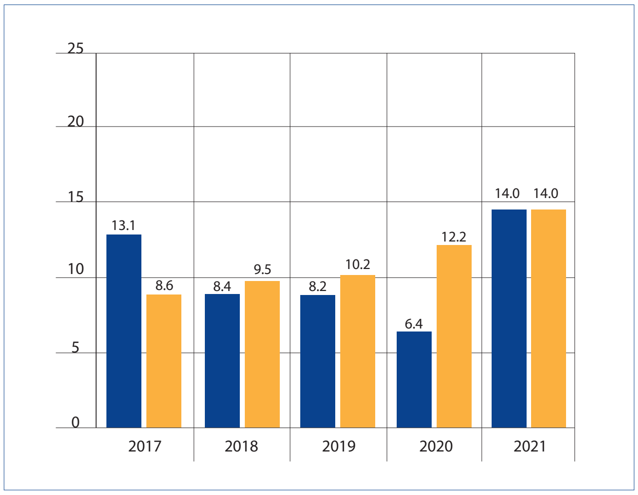


Source of Written Premiums 2021



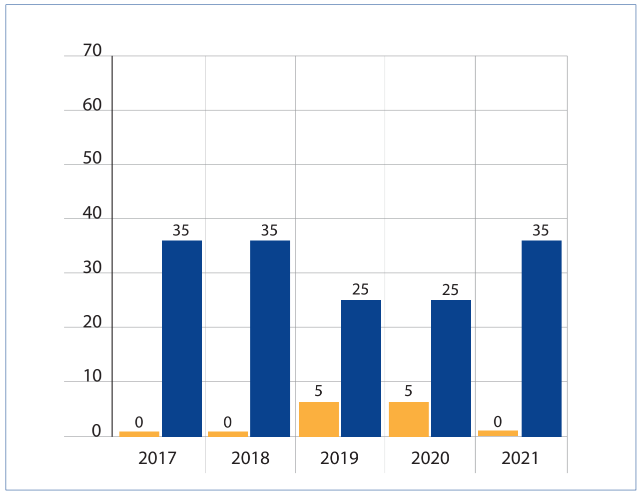
Source of Written Premiums 2020

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



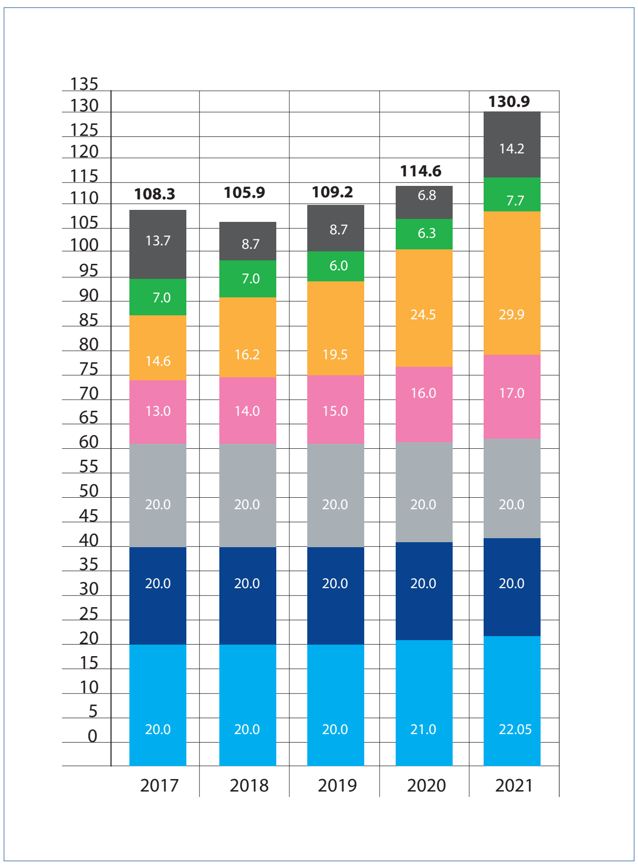
Growth of Recognized Net Profit & Unrecognized Profit in Shareholders' Equity (in million KD)

Unrecognized Profit in Shareholders' Equity
Recognized Net Profit



Cash Dividends & Bonus Share

Cash Dividends (Fils)
Bonus Shares (%)



Shareholders Equity
(in million KD)

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

Technical Reserves
(Unearned Premiums, Additional, Mathematical & Outstanding Claims Reserves) (in million KD)

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Introduction

Al Ahleia Insurance Company S.A.K.P. (Al Ahleia) is committed to implementing effective governance policies through the Board of Directors, Executive Management, and all employees of the company. In addition, Al Ahleia constantly encourages having the highest levels of professional behavior leading to achieving distinguished standards of governance and regulatory compliance. The Board also plays a vital role in achieving better shareholder value by promoting a culture of governance and compliance.

Al Ahleia is eager to establish a proper ethical and professional values and behaviors in various activities and jobs under the umbrella of supervision, development and successful leadership in compliance with governance standards. Moreover, the Board constantly urges the existence of highly efficient internal control systems that contribute to directing employees to comply with the effective application of governance principles to meet the changing local and global economic challenges, which contributes to achieving the company's strategic objectives.

The Board is responsible for supervising the implementation of the company's strategic objectives, corporate governance standards and reviewing all relevant policies through the relevant departments and in coordination with the concerned parties to ensure continuous review of the implementation of all the effective practices. The effectiveness of governance comes through the distribution of responsibilities to the board committees, as well as, the executive management, which submits reports to the board about the latest developments of governance field.

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, six non-executive members, and two independent members who were elected at the Annual General Assembly Meeting that took place on 27 April 2020.
The following table shows the Board of Directors Structure, their positions, and academic qualifications as of 31 December 2021:

Name	Title	Member Classification	Academic Qualification	Election Date
Ayman Abdul Latif Al-Shaya	Chairman	Non-Executive	Bachelor of Mechanical Engineering	27/04/2020
Emad Mohammad Al-Bahar	Vice Chairman	Non-Executive	Bachelor of Business Management	27/04/2020
Abdullah Mohammad Al-Saad	Board Member	Non-Executive	Bachelor of Commerce	27/04/2020
Abdul Aziz Abdul Razzaq Al-Jassar	Board Member	Independent	Bachelor of Accounting	27/04/2020
Emad Jassim Al-Sager	Board Member	Non-Executive	Bachelor of Economics and Political Science	27/04/2020
Ahmad Yousef Al-Ghanim	Board Member	Independent	Bachelor of Information Technology	27/04/2020
Adel Mohammad Al-Ghannam	Board Member	Non-Executive	Bachelor of Business Management	27/04/2020
Abdul Mohsen Jassim Al-Kharafi	Board Member	Non-Executive	Bachelor of Business Management	27/04/2020
Yousef Saad Al-Saad	Board Member and Chief Executive Officer	Executive	Bachelor of Finance	27/04/2020
Mohammad Abdul Mohsen Al-Saad	Board Secretary	Executive	Bachelor of Business Management	27/04/2020

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- **Board Meetings during 2021**

Name	Meeting (1) 22/02/2021	Meeting (2) 02/03/2021	Meeting (3) 11/05/2021	Meeting (4) 11/08/2021	Meeting (5) 04/11/2021	Meeting (6) 11/11/2021	Number of Meetings
Ayman Abdul Latif Al-Shaya (Chairman)	✓	✓	✓	✓	✓	✓	6
Emad Mohammad Al-Bahar (Vice Chairman)	✓	✓	✓	✓	✓	✓	6
Abdullah Mohammad Al-Saad (Member)	✓	✓	✓	✓	✓	✓	6
Abdul Aziz Abdul Razzaq Al-Jassar (Independent Member)	✓	✓	✓	✓	✓	✓	6
Emad Jassim Al-Sager (Member)	✓	✓	✓	✓	✓	✓	6
Ahmad Yousef Al-Ghanim (Independent Member)	✓	✓	✓	✓	✓	✓	6
Adel Mohammad Al-Ghannam (Member)	✓	✓	✓	✓	✓	✓	6
Abdul Mohsen Jassim Al-Kharafi (Member)	✓	✓	✓	✓	✓	✓	6
Yousef Saad Al-Saad (Member)	✓	✓	✓	✓	✓	✓	6

- **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 these 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 the Company's goals and strategies that are followed in the company.
3. 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.
4. Following up on the compliance with decisions and regulations of the Insurance Regulatory Unit.
5. Following up on the annual Corporate Governance and Compliance reports to ensure full compliance by the company.
6. Following up on communication channels that allow company's shareholders to continuously view the important developments of the company.
7. Ensuring the accuracy and integrity of the data and information that must be disclosed.
8. Approval of the company's updated risk appetite, which was reviewed by the Risk Management Committee.

- **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 2020 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 27th April 2020, 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 2021.

The Risk Management Committee's achievements include, but are not limited to:

1. Review the Company's risk appetite for all its activities.
2. Review the risk management policy and strategy.
3. Evaluate the mechanism that is used to identify, measure, and monitor different types of risks which may be exposed to the company.
4. Ensure the effectiveness of the risk and control framework and supervise the risk rating results from the Risk and Compliance department.
5. Ensure an effective mechanism in place to monitor and report money laundering and terrorist financing.
6. Follow up on the ERM awareness program.

Members:

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

Member	Meeting No. (1) 21/02/2021	Meeting No. (2) 11/05/2021	Meeting No. (3) 11/08/2021	Meeting No. (4) 04/11/2021	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 27th April 2020, and its duration is consistent with the Board of Directors' term (Three Years). The committee held four 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. Review interim financials before prior to their submitting them to the Board of Directors and provide an opinion and recommendation thereon to the Board of Directors.
2. Review and approve the Internal Audit plan
3. Following up on the implementation of corrective measures included in the internal audit report.
4. Submit a recommendation to the Board of Directors regarding the appointment or reappointment of external auditors.
5. Follow up on corrective actions and organizational controls to ensure proper implementation of these measures.

Members:

- Mr. Abdul Aziz Abdul Razzaq Al-Jassar – Chairman
- Mr. Emad Mohammad Al-Bahar
- Mr. Emad Jassim Al-Sager

Member	Meeting No. (1) 21/02/2021	Meeting No. (2) 11/05/2021	Meeting No. (3) 11/08/2021	Meeting No. (4) 04/11/2021	Number of Meetings
Abdul Aziz Abdul Razzaq Al-Jassar	✓	✓	✓	✓	4
Emad Mohammad Al-Bahar	✓	✓	✓	✓	4
Emad Jassim Al-Sager	✓	✓	✓	✓	4

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 2021, the committee was formed on 27th April 2020, 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. Review the remuneration of the Board of Directors and Executive Management.
2. Prepare an annual report on the remunerations that are given to the Board of Directors, Executive Management and Managers.
3. Ensure the independency of the independent Board members.
4. Supervising the evaluation of the Board members performances.
5. Complying with the latest governance requirements regarding the remuneration report.

Members:

- Mr. Emad Mohammed Al-Bahar – Chairman
- Mr. Abdullah Mohammed Al-Saad
- Mr. Abdul Aziz Abdul Razzaq Al-Jassar
- Mr. Adel Mohammad Al-Ghannam
- Mr. Abdul Mohsen Jassim Al-Kharafi

Member	Meeting No (1) 22/02/2021	Number of Meetings
Emad Mohammed Al-Bahar	✓	1
Abdullah Mohammed Al-Saad	✓	1
Abdul Aziz Abdul Razzaq Al-Jassar	✓	1
Adel Mohammad Al-Ghannam	✓	1
Abdul Mohsen Jassim Al-Kharafi	✓	1

4. Executive Committee

The Executive committee comprises of three Directors, the committee was restructured on 27th April 2020, and its duration is consistent with the Board of Directors' term (Three Years). The committee held three meetings during the year 2021. 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.
2. Supporting the Board of Directors in following up on the implementation of the investment strategy and plan.
3. Discuss the current investment portfolio before submitting it to the Board of Directors.
4. Approving the exit from some investments and increasing the percentage of ownership in other investments, in order to protect the interests of the shareholders.

Members:

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

Member	Meeting No (1) 05/05/2021	Meeting No (2) 17/08/2021	Meeting No (3) 11/11/2021	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 KD 298,039. The remunerations are subject to the approval of the General Assembly which will be held in 2022, and the remuneration of the Executive Management and employees amounts to 15% of the net profit for the period ending on 31 December 2021, 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:

Table (1):

Remunerations and benefits for board members*							
Rewards and benefits through affiliates				Rewards and benefits through the parent company			Total number of executive positions
Variable bonuses and benefits (KD)		Fixed rewards and benefits (KD)		Variable bonuses and benefits (KD)		Fixed rewards and benefits (KD)	
Committees' Remuneration	Annual Remuneration	Monthly Salaries (Total during the year)	Health Insurance	Committees' Remuneration	Annual Remuneration	Health Insurance	
---	---	---	---	---	288,230	---	9

Table (2):

The total remuneration and benefits granted to five senior executives who received the highest remuneration, in addition to the CEO and the Financial Manager or their representative if they are not among them														
Rewards and benefits through affiliates							Rewards and benefits through the parent company							
Variable bonuses and benefits (KD)	Fixed rewards and benefits (KD)						Variable bonuses and benefits (KD)	Fixed rewards and benefits (KD)						
Annual Remuneration	Children's Education Allowance	Transportation allowance	Housing Allowance	Annual Tickets	Medical Insurance	Monthly	Annual Remuneration	Children's Education Allowance	Transportation allowance	Housing Allowance	Annual Tickets	Medical Insurance	Monthly Salaries (Total during the year)	Total number of executive positions
---	---	---	---	---	---	---	271,025	---	16,130	---	---	6,500	203,780	6

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 31/12/2021, 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.

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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**

Based on the social responsibility that the Board of Directors of Al Ahleia Insurance Company pays great attention to and is always keen to ensure that interest in social responsibility programs is among its priorities. Therefore, an adopted policy of social responsibility and providing the necessary support for it and ensuring that the company has a role in contributing to the reduction of the negative effects related to by society, the individual and the environment.

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

The year 2021 was a year of recovery due to the pandemic that haunted the whole world and led to a partial suspension of activities, business, and life in general for a while, which affected the company's social responsibility programs internally and externally.
Our cooperation with LOYAC in training and qualifying Kuwaiti youth before entering the labor market, collaborating in disturbing school supplies for needed families.

As for other Social Responsibility programs that were implemented for the company's employees, where we provided health supplies to take care of the health of the employees, sterilize the building periodically, make awareness bulletins regarding the Omicron virus and maintain the security and safety of everyone, including employees and clients, and the company has also supervised several projects in regarding the graduation projects of students, cooperation with government hospitals, providing medical supplies and service supplies, also we have sponsored the Kuwait Down Syndrome Society, winter supplies, last but not least the training of several students which we had collaborated with The Authority of Manpower.

We hope in the year 2022 more Social Responsibility participation activities occur that will benefit society, the individual and the environment.

FINANCIAL STATEMENTS

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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 2021, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International 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) Recoverability of Receivables arising from Insurance and Reinsurance Contracts

The receivables arising from insurance and reinsurance contracts amounting to KD 60,520,953 representing 16% of the Group's total assets are significant to the Group's consolidated financial statements as at 31 December 2021. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties, including the ongoing COVID-19 pandemic considerations. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

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

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

We selected a sample of the larger receivable balances where allowance for impairment of receivables was recognised and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments, we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments have been received up to the date of completing our audit procedures, including COVID-19 considerations. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

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

In assessing the appropriateness of the overall allowance for impairment, we also considered management's policy for recognising allowances for impairment on doubtful receivables.

Further, we assessed the adequacy of disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 10 and 11 to the consolidated financial statements.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Insurance and Reinsurance Technical Reserves

Insurance and reinsurance technical reserves include Outstanding Claims Reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported Reserve ("IBNR"). As at 31 December 2021, the insurance and reinsurance technical reserves are significant to the Group's total liabilities. As disclosed in Note 2.5 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities. The Group uses different models to calculate the insurance and reinsurance contract liabilities.

Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and customer behavior, along with Group's historical claims data are key inputs used to estimate these long-term liabilities. Due to the significance of estimation uncertainty associated with the determination of the insurance and reinsurance technical reserves, this is considered a key audit matter.

The Group uses the work of a management's specialist, and an external independent actuary for the determination of LMR and reinsurance liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and the actuary and evaluating their work, which involved analyzing the rationale for the economic and actuarial assumptions used by the management along with comparison to applicable industry benchmarks. We also used our internal actuarial specialists to assist us in evaluating the key inputs and assumptions.

For other insurance technical reserves, the management uses the work of their specialist to assess the liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and evaluating their work. In addition, we have performed test of controls in place, checked the design and the operating effectiveness and assessed the validity of management's liability adequacy testing to obtain reasonable assurance that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests on a sample basis included assessing the accuracy of the historical data used, and reasonableness of the projected cash flows and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features.

We further evaluated the adequacy of disclosures relating to insurance and reinsurance technical reserves in Note 16 to the 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)

Key Audit Matters (continued)

c) Valuation and Impairment of Available-for-sale financial assets

As at 31 December 2021, the Group had available-for-sale financial assets amounting to KD 56,925,792 representing 15% of the Group's total assets. These financial assets are either measured at fair value with the corresponding fair value change recognised in other comprehensive income or carried at cost less impairment for those financial assets that do not have a quoted price in an active market and whose fair values cannot be reliably measured. If the available-for-sale financial assets witnessed objective evidence which indicates a significant or prolonged decline in value, an impairment loss is recognised in the consolidated statement of income. The valuation of the available-for-sale financial assets is inherently subjective - most predominantly for the level 3, since these are valued using inputs other than quoted prices in an active market. Impairment analysis can be subjective in nature and involve various assumptions regarding pricing factors, which has been impacted by the market volatility and economic circumstances as a result of the ongoing COVID-19 pandemic.

The use of different valuation techniques and assumptions could produce significantly different estimates of the values of these available-for-sale financial assets and could increase the impairment losses of the Group.

Due to the significance of estimation uncertainty associated with the fair valuation and impairment analysis of the available-for-sale financial assets, this is considered a key audit matter.

For financial assets measured at fair value we performed audit procedures to assess the methodology and the appropriateness of the valuation models and inputs used to value such investments. As part of these audit procedures, we assessed the accuracy of key inputs used in the valuation such as quoted market prices, market multiples, and discount rates for lack of marketability and lack of control, the expected cash flows, risk free rates and credit spreads by benchmarking them with external data, investigated significant differences, taking into account the ongoing COVID-19 pandemic considerations. We also evaluated the Group's assessment whether objective evidence of impairment exists for individual financial assets and the qualitative and quantitative factors used such as the investee's financial performance including dividends, financial condition and operations, and its market and economic environment. We assessed the adequacy of the disclosures relating to financial assets in Note 9 and 26 to the consolidated financial statements.

Report on the Audit of Consolidated Financial Statements (continued)

c) Valuation and Impairment of Available-for-sale financial assets (continued)

Other information included in the Group's 2021 Annual Report

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

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.

Report on the Audit of Consolidated Financial Statements (continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

ارنست ويونغ
EY
العيبان والعصيمي وشركاهم

23 February 2022
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
Revenue:			
Gross premiums written		**113,912,211**	101,077,851
Premiums ceded to reinsurers		**(24,195,765)**	(26,662,587)
Net premiums written		**89,716,446**	74,415,264
Movement in unearned premiums		**(4,069,855)**	(844,306)
Net premiums earned		**85,646,591**	73,570,958
Commission income on ceded reinsurance		**5,930,999**	6,760,138
Policy issuance fees		**-**	259,388
Net investment income	4	**9,529,176**	8,426,690
Rental income from investment properties		**773,660**	681,345
Other income		**419,502**	593,746
Total revenue		**102,299,928**	90,292,265
Expenses:			
Net claims incurred	16	**(61,575,079)**	(49,100,310)
Commissions and premiums' acquisition costs		**(14,428,490)**	(12,479,009)
Movement in life mathematical reserve		**(772,293)**	(4,513,000)
Maturity and cancellations of life insurance policies		**(441,539)**	(528,583)
Investment property operating expenses		**(57,097)**	(79,022)
Revaluation gain (loss) on investment properties	7	**3,399**	(7,248)
Administrative expenses		**(8,052,794)**	(6,877,864)
Impairment loss on available-for-sale financial assets	9	**(1,383,827)**	(4,610,526)
Impairment loss on receivables	10 & 11	**(45,716)**	(150,000)
Total expenses		**(86,753,436)**	(78,345,562)
Profit before share of results of associates income		**15,546,492**	11,946,703
Loss from disposal of investment in associate	8	**(87,198)**	-
Share of results of associates	8	**279,789**	2,261,282
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' FEES		**15,739,083**	14,207,985
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(140,409)**	(114,104)
National Labour Support Tax (NLST)		**(391,895)**	(329,668)
Zakat		**(156,494)**	(131,875)
Directors' fees	27	**(504,539)**	(380,845)
PROFIT FOR THE YEAR		**14,545,746**	13,251,493
Attributable to:			
Equity holders of the Parent Company		**13,966,312**	12,184,667
Non-controlling interests		**579,434**	1,066,826
		14,545,746	13,251,493
BASIC AND DILUTED EARNINGS PER SHARE	5	**64.45 fils**	56.23 fils

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
PROFIT FOR THE YEAR		**14,545,746**	13,251,493
Other comprehensive income (loss)			
Items that are or may be reclassified to the consolidated statement of income in subsequent periods:			
Available-for-sale financial assets:			
- Unrealised gain (loss) during the year		**9,607,264**	(3,373,431)
- Recycling to the consolidated statement of income for impairment loss on available-for-sale financial assets	9	**1,383,827**	4,610,526
- Reclassification to the consolidated statement of income on disposal	4	**(3,640,082)**	(3,151,571)
Net gain (loss) on available-for-sale financial assets		**7,351,009**	(1,914,476)
Foreign currency translation:			
- Exchange differences on translation on foreign operations		**(144,420)**	(70,551)
Investment in associates:			
- Share of fair value from investment in associates	8	**275,827**	(2,468)
Other comprehensive income (loss) for the year		**7,482,416**	(1,987,495)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,028,162**	11,263,998
Attributable to:			
Equity holders of the Parent Company		**21,387,321**	10,260,238
Non-controlling interests		**640,841**	1,003,760
		22,028,162	11,263,998

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 KD	2020 KD
ASSETS			
Property and equipment		**3,328,430**	3,534,812
Investment properties	7	**11,814,673**	11,818,076
Investment in associates	8	**22,327,643**	22,364,387
Financial assets held to maturity		**34,737,151**	29,099,299
Loans secured by life insurance policyholders		**60,207**	74,207
Available-for-sale financial assets	9	**56,925,792**	52,252,944
Financial assets at fair value through profit or loss		**753,534**	906,486
Receivables arising from reinsurance contracts and premium accruals	11	**35,911,173**	32,645,246
Reinsurance recoverable on outstanding claims	16	**38,506,828**	41,370,947
Premiums and insurance balances receivable	10	**24,609,780**	26,270,386
Accounts receivable and other debit balances	12	**9,656,266**	8,412,093
Term deposits	6	**125,483,302**	97,417,842
Bank balances and cash	6	**7,650,924**	9,498,300
TOTAL ASSETS		**371,765,703**	335,665,025
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**22,050,000**	21,000,000
Statutory reserve	14	**20,000,000**	20,000,000
Voluntary reserve	14	**20,000,000**	20,000,000
Special voluntary reserve	14	**17,000,000**	16,000,000
Treasury shares	15	**(1,278,932)**	(1,278,932)
Treasury shares reserve		**1,474,675**	1,474,675
Fair value reserve		**13,955,652**	6,390,223
Foreign currency translation reserve		**(88,129)**	56,291
Retained earnings		**37,571,878**	30,815,016
Other reserve		**242,563**	137,818
Equity attributable to equity holders of the Parent Company		**130,927,707**	114,595,091
Non-controlling interests		**9,904,128**	10,938,335
TOTAL EQUITY		**140,831,835**	125,533,426
LIABILITIES			
Technical reserves arising from insurance and reinsurance contracts:			
Outstanding claims reserve	16	**128,130,051**	120,136,953
Unearned premiums reserve	16	**30,875,090**	26,805,235
Life mathematical reserve	16	**12,886,293**	12,114,000
Incurred but not reported reserve	16	**25,654,046**	18,939,238
Total technical reserves arising from insurance and reinsurance contracts		**197,545,480**	177,995,426
Insurance and reinsurance payables	17	**20,404,532**	19,673,410
Accounts payable and other credit balances	18	**12,857,705**	12,338,147
Premiums received in advance		**126,151**	124,616
TOTAL LIABILITIES		**230,933,868**	210,131,599
TOTAL EQUITY AND LIABILITIES		**371,765,703**	335,665,025

Ayman Abdullatif Al-Shayea
Chairman

Yousef Saad Al Saad
Chief Executive Officer

The attached notes 1 to 28 form part of these consolidated financial statements.

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

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Special voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Other reserve KD*	*Subtotal KD*	*Non - controlling interests KD*	*Total equity KD*
As at 1 January 2021	21,000,000	20,000,000	20,000,000	16,000,000	(1,278,932)	1,474,675	6,390,223	56,291	30,815,016	137,818	114,595,091	10,938,335	125,533,426
Profit for the year	-	-	-	-	-	-	-	-	13,966,312	-	13,966,312	579,434	14,545,746
Other comprehensive income (loss) for the year	-	-	-	-	-	-	7,565,429	(144,420)	-	-	7,421,009	61,407	7,482,416
Total comprehensive income (loss) for the year	-	-	-	-	-	-	7,565,429	(144,420)	13,966,312	-	21,387,321	640,841	22,028,162
Cash dividends (Note 27)	-	-	-	-	-	-	-	-	(5,159,450)	-	(5,159,450)	(76,045)	(5,235,495)
Bonus share issue (Note 27)	1,050,000	-	-	-	-	-	-	-	(1,050,000)	-	-	-	-
Transfer to reserve (Note 14)	-	-	-	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	104,745	104,745	(1,599,003)	(1,494,258)
As at 31 December 2021	**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**

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Special voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Other reserve KD*	*Subtotal KD*	*Non - controlling interests KD*	*Total equity KD*
As at 1 January 2020	20,000,000	20,000,000	20,000,000	15,000,000	(1,278,932)	1,474,675	8,244,101	126,842	25,544,117	137,004	109,247,807	10,007,611	119,255,418
Profit for the year	-	-	-	-	-	-	-	-	12,184,667	-	12,184,667	1,066,826	13,251,493
Other comprehensive loss for the year	-	-	-	-	-	-	(1,853,878)	(70,551)	-	-	(1,924,429)	(63,066)	(1,987,495)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(1,853,878)	(70,551)	12,184,667	-	10,260,238	1,003,760	11,263,998
Cash dividends (Note 27)	-	-	-	-	-	-	-	-	(4,913,768)	-	(4,913,768)	(70,387)	(4,984,155)
Bonus share issue (Note 27)	1,000,000	-	-	-	-	-	-	-	(1,000,000)	-	-	-	-
Transfer to reserve (Note 14)	-	-	-	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	814	814	(2,649)	(1,835)
As at 31 December 2020	21,000,000	20,000,000	20,000,000	16,000,000	(1,278,932)	1,474,675	6,390,223	56,291	30,815,016	137,818	114,595,091	10,938,335	125,533,426

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, Zakat and directors' fees		**15,739,083**	14,207,985
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property and equipment		**259,087**	283,604
Share of results of associates	8	**(279,789)**	(2,261,282)
Loss on disposal of associates	8	**87,198**	-
Revaluation (gain) loss on investment properties	7	**(3,399)**	7,248
Gain on sale of available-for-sale financial assets	4	**(3,640,082)**	(3,151,571)
Impairment loss on available-for-sale financial assets	9	**1,383,827**	4,610,526
Impairment loss on receivables	10 & 11	**45,716**	150,000
Interest income on bonds and term deposits	4	**(3,881,345)**	(4,011,343)
Dividends income	4	**(1,846,181)**	(1,107,175)
Income from funds	4	**(161,568)**	(156,601)
Provision for employees' end of service benefits		**598,711**	320,926
Gain on sale of property and equipment		**-**	(2,446)
		8,301,258	8,889,871
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		**(3,314,637)**	(685,074)
Reinsurance recoverable on outstanding claims		**2,866,588**	10,832,228
Premiums and insurance balances receivable		**1,660,606**	(3,157,495)
Accounts receivable and other debit balances		**(229,903)**	670,209
Net change in insurance and reinsurance contract liabilities		**19,427,697**	11,147,253
Insurance and reinsurance payables		**731,122**	1,777,199
Accounts payable and other credit balances		**(1,111,062)**	1,987,404
Premiums received in advance		**1,535**	37,472
Cash flows from operations		**28,333,204**	31,499,067
Employees' end of service benefits paid		**(184,161)**	(213,141)
Receipt of government grants		**-**	144,705
Net cash flows from operating activities		**28,149,043**	31,430,631
INVESTING ACTIVITIES			
Purchase of property and equipment		**(54,188)**	(170,766)
Proceeds from sale of property and equipment		**-**	2,520
Purchase of available-for-sale financial assets		**(6,390,346)**	(10,181,507)
Proceeds from sale available-for-sale financial assets		**11,346,774**	11,206,778
Purchase of financial assets held to maturity		**(20,232,097)**	(13,003,172)
Proceeds from redemption of financial assets held to maturity		**14,597,143**	4,250,000
Proceeds from investment in associates		**404,520**	-
Proceeds from investment at fair value through profit or loss		**153,195**	-
Net movement in loans secured by life insurance policyholders		**14,000**	34,100
Term deposits		**(28,370,060)**	(20,482,337)
Dividends received		**1,846,181**	1,107,175
Dividend income from investment in associates		**64,843**	-
Interest income on bonds and term deposits received		**3,032,980**	3,282,374
Acquisition from non-controlling interest in a subsidiary.		**(1,494,258)**	-
Net cash flows used in investing activities		**(25,081,313)**	(23,954,835)
FINANCING ACTIVITIES			
Dividends paid		**(5,212,762)**	(4,935,858)
Movement of treasury shares, (net)		**-**	(1,835)
Net cash flows used in financing activities		**(5,212,762)**	(4,937,693)
Foreign currency translation adjustment		**(6,944)**	(20,190)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,151,976)**	2,517,913
Cash and cash equivalents as at 1 January		**9,802,900**	7,284,987
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	6	**7,650,924**	9,802,900

The attached notes 1 to 28 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

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 CO. B.S.C (closed), (collectively the "Group") for the year ended 31 December 2021 were authorised for issuance with a resolution of the Board of Directors on 23 February 2022. 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. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2021. Subsidiaries are investee that the Group has control over.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. 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.

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

	Incorporation country	**Activity**	**Ownership (%) 31 December 2021**	Ownership (%) 31 December 2020
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	**70.84**	57.94
Al Ahleia Multi General Trading and Contracting (W.L.L.)	Kuwait	Investment company	**99%**	99%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Any contingent consideration 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.

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, 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.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
Disclosures relating to impairment of non-financial assets are summarised in the following notes:
- Disclosures for significant accounting judgements, estimates, and assumptions Note 2.5

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses are recognised in the consolidated statement of income.

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

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

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. The Group performs its annual impairment test of goodwill as at 31 December.

The recoverable amount for the life insurance business CGU has been determined based on a value in use calculation. This calculation is derived from embedded value (EV) principles together with the present value of expected profits from future new business. The EV represents the shareholder interests in the life insurance business and is the total of the net worth of the life insurance business and the value of the in-force business.

The recoverable amount of the non-life insurance business CGU and investment management services business CGU have been determined based on a value in use calculation. The calculation requires the Group to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

All other acquisition costs are recognised as expenses when incurred. Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are amortised over the terms of the insurance contracts to which they relate as premiums are earned, when the related contracts are settled or disposed of.

Subsequent to initial recognition, this DAC asset for life insurance is amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance and health products are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the consolidated statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

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

DACs are derecognised when the related contracts are either settled or disposed of.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
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. 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.

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

(i) Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, 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 the consolidated statement of income, transaction costs that are attributable to the acquisition of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

The Group's financial assets include "financial assets held to maturity", "loans secured by life insurance policyholders", "available-for-sale financial assets", "financial assets at fair value through profit or loss", "receivables arising from reinsurance contracts and premium accruals", "reinsurance recoverable on outstanding claims", "premiums and insurance balances receivable", and "accounts receivable and other debit balances". As at 31 December 2021, the Group did not have any derivatives designated as hedging instruments.

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

Available-for-sale financial assets
Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for-sale financial assets are those that are neither classified as held for trading nor designated at fair value through the consolidated statement of income. 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, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited to or debited to the available-fair value 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 available-for-sale financial assets, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale financial assets reserve to the consolidated statement of income as impairment on available-for-sale financial assets. Interest earned whilst holding available-for-sale financial assetsis reported as interest income using the effective interest rate method (EIR). Dividends earned whilst holding AFS 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 AFS reserve the consolidated statement of income.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets 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 at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and non-trading financial assets designated upon initial recognition as at fair value through statement of income. Financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value being recorded in the consolidated statement of income. Transaction costs associated with the acquisition of financial assets at fair value through profit or loss are expensed as incurred.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)
Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)
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.

Loans, receivables and other debit balances
This category is the most relevant to the Group. Loans and other debit balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Held to maturity financial assets
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'Investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Insurance and reinsurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

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 in hand and bank balances.

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 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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 carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of income. Interest income (recorded in net investment income in the consolidated statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the net investment income in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Impairment of financial assets (continued)
Available-for-sale financial assets
For available-for-sale financial assets, 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 available-for-sale financial assets, 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.

In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of net investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

(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, they are measured at amortised cost using the effective interest rate method.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Offsetting of financial instruments (continued)

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.

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

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

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

- Disclosures for significant accounting judgements, estimates and assumptions — Note 2.5
- Investment properties — Note 7
- Financial instruments — Note 26
- Quantitative disclosures of fair value measurement hierarchy — Note 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Gains or losses on buying reinsurance are recognised in the consolidated statement of income immediately at the date of purchase and are not amortised.

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

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

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

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

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

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

Bank Balances and cash and term deposits
Bank balances and cash, and term deposits in the 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 the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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. 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.

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the consolidated statement of income in 'Gross change in contract liabilities'. Profits originated from margins for adverse deviations on run-off contracts are recognised in the consolidated statement of income over the life of the contract, whereas losses are fully recognised in the consolidated statement of income during the first year of runoff. The liability is derecognised when the contract expires, is discharged or cancelled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the consolidated statement of income by setting up a provision for premium deficiency.

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

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

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

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Premium earned for the year from reinsurance operations includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the year. Where statements of insurance contract accounts have not been received at the end of the year, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium. Premium relating to the expired risk period is taken as earned and recognised as revenue for the year while premium relating to the unexpired risk period is treated as a reserve for unexpired risks. Pipeline premium (being the premium written but not reported to the Group as at the reporting date) are reported as 'accrued premiums arising from reinsurance contracts.

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

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

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

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

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

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

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

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

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies
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.

2.4 New and amended accounting policies, standards and interpretations

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

The amendments include the following practical expedients:
- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

Valuation of investment properties
Fair value of investment properties has been assessed by an independent real estate appraiser. The independent real estate appraiser uses values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser. Income capitalisation method was used to determine the fair value of property interests in investment properties, where the property's value is estimated based on the its income produced and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

The significant methods and assumptions used by valuers in estimating fair value of investment properties are stated in Note 7.

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 and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimation and assumptions (continued)

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

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

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

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

The Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.

Instead, the assumptions used are those implicit in the historical claims' development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

a) Classification and measurement

<table>
<tr><th rowspan="2">Financial Assets</th><th colspan="2">Classification</th><th rowspan="2">Description</th></tr>
<tr><th>IAS 39</th><th>IFRS 9</th></tr>
<tr><td>Equity instruments including Private equity investments</td><td>AFS</td><td>FVOCI</td><td>The instruments that were classified as available-for-sale ("AFS") investments and carried at fair value. These instruments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling in the open market, and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

Accordingly, such instrument will be subsequently measured at fair value through other comprehensive income ("FVOCI") upon the application of IFRS 9.</td></tr>
<tr><td>Debt instruments (Bonds)</td><td>Held to maturity</td><td>At amortised cost</td><td>The instruments that were classified as held to maturity investments and carried at amortised cost. These instruments are held within a business model whose objective is achieved both by collecting contractual cash flows and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

Accordingly, such instrument will continue to be subsequently measured at amortised cost upon the application of IFRS 9.</td></tr>
</table>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

IFRS 9 Financial Instruments (continued)
Key requirements of IFRS 9: (continued)

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

c) Disclosure (continued)

IFRS 17 Insurance Contracts (continued)
The main features of the new accounting model for insurance contracts are, as follows:

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

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

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

3 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:

	2021 KD	*2020 KD*
Within one year	**605,003**	614,718
After one year but not more than five years	**551,370**	194,504
	1,156,373	809,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

4 NET INVESTMENT INCOME

	2021 KD	*2020 KD*
Gain on sale of available-for-sale financial assets	**3,640,082**	3,151,571
Interest income on bonds and term deposits	**3,881,345**	4,011,343
Dividends income	**1,846,181**	1,107,175
Income from funds	**161,568**	156,601
	9,529,176	8,426,690

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	2021	*2020*
Profit for the year attributable to shareholders of Parent Company (KD)	**13,966,312**	12,184,667
	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)	**64.45 fils**	56.23 fils

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

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

The comparative basic and diluted earnings per share have been restated to reflect the impact of bonus shares issued in 2021 (Note 27).

6 CASH AND CASH EQUIVALENTS

	2021 KD	*2020 KD*
Term deposits	**125,483,302**	97,417,842
Bank balances and cash	**7,650,924**	9,498,300
	133,134,226	106,916,142
Less:		
Term deposits with original maturities of more than three months	**(125,483,302)**	(97,113,242)
Cash and cash equivalents	**7,650,924**	9,802,900

Term deposits amounting to KD 110,000 (31 December 2020: KD 110,000) are pledged as security against letter of credit arising from the subsidiary, granted by a bank amounting to KD 50,298 (2020: KD 50,564), and letter of guarantee granted by a bank to the Parent Company amounting to KD 1,413,329 (2020: KD 1,416,542) to fulfill collateral requirements (Note 22).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

7 INVESTMENT PROPERTIES

	2021 KD	*2020 KD*
As at 1 January	**11,818,076**	11,821,378
Revaluation gain (loss)	**3,399**	(7,248)
Foreign currency translation adjustment	**(6,802)**	3,946
As at 31 December	**11,814,673**	11,818,076

The fair value of investment properties has been determined based on valuations obtained from two independent professional real estate valuers, who are industry specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. Both valuers have valued the investment properties using the income capitalization approach assuming full capacity of the property. For valuation purpose, the Group has selected the value made by the local bank, being the lower of these two valuations (2020: the lower of two valuations) as required by the Capital Markets Authority (CMA). The Group has entered into operating lease for its investment properties (Note 3).

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

	2021	*2020*
Average rent (per sqm) – KD	**884**	778
Yield rate - %	**6.50%**	5.8%
Vacancy rate	**1.00%**	2.5%

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.

The fair value of the investment properties is determined using the income capitalisation approach and hence categorised under level 3 of the fair value hierarchy.

8 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Ownership percentage		*Country of*	***2021***	*2020*
	2021	*2020*	*incorporation*	***KD***	*KD*
Iraq International Insurance Company S.A (Closed)	**44.32%**	44.32%	Iraq	**393,409**	394,383
Al-Watania Insurance Company Y.S.C. (Closed)	**22.50%**	22.50%	Yemen	**126,138**	126,658
Burgan Insurance Company S.A.L. (formerly Arab Life Insurance Company S.A.L.)	**49.37%**	49.37%	Lebanon	**938,731**	821,876
Arab Life and Accident Insurance Company P.S.C.	**-**	27.94%	Jordan	-	401,193
Al-Etihad Cooperative Insurance Company	**32.36%**	32.36%	Saudi Arabia	**20,724,916**	20,475,470
Fenchurch Faris Insurance and Reinsurance Brokers Co.	**20.00%**	20.00%	Saudi Arabia	**144,449**	144,807
				22,327,643	22,364,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

8 INVESTMENT IN ASSOCIATES (continued)

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

	2021 ***KD***	*2020* *KD*
Carrying value as at 1 January	**22,364,387**	20,218,699
Share of results of associates	**279,789**	2,261,282
Loss from disposal of associate	**(87,198)**	-
Share of other comprehensive income (loss)	**275,827**	(2,468)
Foreign currency translation adjustment	**(35,799)**	(113,126)
Proceeds from sale of investment in associates	**(404,520)**	-
Dividends income from investment in associates	**(64,843)**	-
Carrying value as at 31 December	**22,327,643**	22,364,387

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

Summarised consolidated statement of financial position:

	2021 ***KD***	*2020* *KD*
Assets	**131,962,150**	132,682,391
Liabilities	**(83,115,613)**	(83,520,145)
Equity	**48,846,537**	49,162,246
Carrying amount of the investment	**22,327,643**	22,364,387

Summarised consolidated statement of income:

	2021 ***KD***	*2020* *KD*
Revenues	**51,347,802**	57,259,528
Expenses	**(48,442,722)**	(51,478,115)
Profit for the year	**2,905,080**	5,781,413
Group's share of results for the year	**279,789**	2,261,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9 AVAILABLE- FOR- SALE FINANCIAL ASSETS

	2021 *KD*	*2020* *KD*
Local equity securities:		
Quoted	**26,298,190**	20,614,153
Unquoted	**3,027,839**	3,127,839
	29,326,029	23,741,992
Foreign equity securities:		
Quoted	**1,790**	-
Unquoted	**11,130,152**	11,212,989
	11,131,942	11,212,989
Managed funds:		
Unquoted	**16,194,457**	17,004,248
	16,194,457	17,004,248
Bonds	**273,364**	293,715
	56,925,792	52,252,944

As at 31 December 2021, quoted equity securities are carried at fair value. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 270,000 (2020: KD 1,314,806) was recognised in the consolidated statement of income for the year ended 31 December 2021.

Unquoted equity securities amounting to KD 5,698,458 (2020: KD 7,715,504) are carried at cost less impairment since fair values cannot be reliably estimated and the investment managers have been unable to indicate any estimates of the range within which fair values might lay. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 485,100 (2020: KD 3,190,038) has been recorded in the consolidated statement of income for the year ended 31 December 2021.

Managed funds are carried at fair value reported by the fund manager. Certain unquoted managed funds amounting to KD 216,359 (2020: KD 518,234) are carried at cost less impairment due to the unpredictable nature of their future cash flow and the lack of other suitable methods for arriving at a reliable fair value for these financial assets. The management recorded impairment loss of KD 628,727 (2020: KD 105,682) against these investments based on the most recent available market information.

Bonds are carried at cost less impairment since fair values cannot be reliably estimated.

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLES

	2021 *KD*	*2020* *KD*
Policyholders' accounts receivable		
Premiums receivable	**21,646,555**	22,189,853
Allowances for impaired receivables	**(2,491,343)**	(2,497,894)
Net policyholders' accounts receivable	**19,155,212**	19,691,959
Insurance and reinsurance accounts receivable		
Reinsurance receivable	**5,566,939**	6,690,798
Allowances for impaired receivables	**(112,371)**	(112,371)
Net insurance and reinsurance accounts receivable	**5,454,568**	6,578,427
Total premiums and insurance balances receivables	**24,609,780**	26,270,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLES (continued)

As at 31 December 2021, premiums as well as insurance and reinsurance receivables at nominal value of KD 2,603,714 (2020: KD 2,610,265) were impaired and fully provided for.

Movements in the allowance for impairment of premiums and insurance receivables were as follows:

	2021 KD	*2020 KD*
At the beginning of the year	**2,610,265**	2,477,600
Charged for the year	**-**	150,000
Write off during the year	**(6,551)**	(17,335)
At the end of the year	**2,603,714**	2,610,265

11 RECEIVABLES ARISING FROM REINSURANCE CONTRACTS AND PREMIUM ACCRUALS

	2021 KD	*2020 KD*
Gross receivables arising from reinsurance contracts	**15,550,531**	15,502,383
Allowance for impaired receivable	**(331,666)**	(285,950)
Net receivables arising from reinsurance contracts	**15,218,865**	15,216,433
Accrued premiums arising from reinsurance contracts	**20,692,308**	17,428,813
	35,911,173	32,645,246

As at 31 December 2021, receivables arising from reinsurance contracts at nominal value of KD 331,666 (2020: KD 285,950) were impaired and fully provided for.

Movements in the allowance for receivables arising from reinsurance contracts were as follows:

	2021 KD	*2020 KD*
At the beginning of the year	**285,950**	285,950
Charged for the year	**45,716**	-
At the end of the year	**331,666**	285,950

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

		Past due but not impaired		
	Total KD	*1-3 months KD*	*3-12 months KD*	*More than 12 months KD*
31 December 2021	**15,218,865**	**3,786,334**	**6,351,263**	**5,081,268**
31 December 2020	15,216,433	4,776,622	6,649,563	3,790,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

12 ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2021 ***KD***	*2020* *KD*
Accrued income	**2,384,604**	1,837,231
Reserve retained by reinsurers	**146,164**	151,809
Deferred acquisition cost	**5,444,607**	4,735,202
Other debit balances	**1,680,891**	1,687,851
	9,656,266	8,412,093

13 SHARE CAPITAL

Authorized, issued and fully paid-up share capital consists of 220,500,000 shares of 100 fils each (31 December 2020: 210,000,000 shares). The extra-ordinary general assembly ("EGM") of the Parent Company's shareholders held on 23 March 2021 approved the increase of Parent Company's authorised, issued, and fully paid share capital by issuing 10,500,000 bonus shares at 5% of the authorised and paid-up share capital. (Note 27).

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 proposed to transfer 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 not proposed to 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 23 February 2022, 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 2021.

On 22 February 2021, 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 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 TREASURY SHARES

	2021	*2020*
Number of shares	**3,803,360**	3,622,000
Percentage of issued shares (%)	**1.72**	1.72
Market value (KD)	**1,909,287**	1,651,632

An amount of KD 1,278,932 (31 December 2020: KD 1,278,932) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares as per CMA guidelines.

The weighted average market price of the Parent Company's shares for the year ended 31 December 2021 was 494 fils per share (31 December 2020: 426 fils per share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16 LIABILITIES ARISING FROM INSURANCE CONTRACTS

As at 31 December 2021	*Marine and Aviation KD*	*General Accidents KD*	*Fire KD*	*Life and Medical KD*	*Reinsurance operations KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:						
Gross balance at the beginning of the year	4,145,422	21,112,951	4,061,877	30,892,122	59,924,581	120,136,953
Reinsurance recoverable on outstanding claims at the beginning of the year	(3,149,092)	(15,907,505)	(3,619,164)	(11,745,351)	(6,949,835)	(41,370,947)
Net balance at the beginning of the year	996,330	5,205,446	442,713	19,146,771	52,974,746	78,766,006
Gross claims incurred during the year	1,873,595	3,181,880	1,916,696	15,316,385	47,975,927	70,264,483
Reinsurance recoverable	(1,066,118)	1,084,311	(1,356,850)	(2,469,200)	(4,881,547)	(8,689,404)
Net claims incurred	807,477	4,266,191	559,846	12,847,185	43,094,380	61,575,079
Gross claims paid during the year	(3,440,719)	(8,924,247)	(1,266,900)	(13,614,752)	(35,024,767)	(62,271,385)
Reinsurance recoverable	2,424,448	4,291,494	785,872	2,246,287	1,805,422	11,553,523
Paid during the year	(1,016,271)	(4,632,753)	(481,028)	(11,368,465)	(33,219,345)	(50,717,862)
NET BALANCE AT END OF THE YEAR	787,536	4,838,884	521,531	20,625,491	62,849,781	89,623,223
Presented in the consolidated statement of financial position as follows:						
Outstanding claims reserve	2,578,298	15,370,584	4,711,673	32,593,755	72,875,741	128,130,051
Reinsurance recoverable on outstanding claims	(1,790,762)	(10,531,700)	(4,190,142)	(11,968,264)	(10,025,960)	(38,506,828)
NET BALANCE AT END OF THE YEAR	787,536	4,838,884	521,531	20,625,491	62,849,781	89,623,223
Unearned premiums reserve	406,130	2,907,421	330,721	-	27,230,818	30,875,090
Life mathematical reserve	-	-	-	12,886,293	-	12,886,293
Incurred but not reported reserve	750,000	1,850,000	750,000	-	22,304,046	25,654,046

16 LIABILITIES ARISING FROM INSURANCE CONTRACTS (continued)

As at 31 December 2020	*Marine and Aviation KD*	*General Accidents KD*	*Fire KD*	*Life and Medical KD*	*Reinsurance operations KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:						
Gross balance at the beginning of the year	5,559,912	25,469,222	5,690,416	25,894,429	54,370,656	116,984,635
Reinsurance recoverable on outstanding claims at the beginning of the year	(4,456,772)	(19,049,093)	(5,229,809)	(11,498,453)	(11,970,938)	(52,205,065)
Net balance at the beginning of the year	1,103,140	6,420,129	460,607	14,395,976	42,399,718	64,779,570
Gross claims incurred during the year	587,539	4,601,412	257,181	12,582,979	39,001,828	57,030,939
Reinsurance recoverable	(117,347)	(2,200,909)	32,423	(1,863,215)	(3,781,581)	(7,930,629)
Net claims incurred	470,192	2,400,503	289,604	10,719,764	35,220,247	49,100,310
Gross claims paid during the year	(2,002,029)	(8,957,683)	(1,885,720)	(7,585,286)	(33,447,903)	(53,878,621)
Reinsurance recoverable	1,425,027	5,342,497	1,578,222	1,616,317	8,802,684	18,764,747
Paid during the year	(577,002)	(3,615,186)	(307,498)	(5,968,969)	(24,645,219)	(35,113,874)
NET BALANCE AT END OF THE YEAR	996,330	5,205,446	442,713	19,146,771	52,974,746	78,766,006
Presented in the consolidated statement of financial position as follows:						
Outstanding claims reserve	4,145,422	21,112,951	4,061,877	30,892,122	59,924,581	120,136,953
Reinsurance recoverable on outstanding claims	(3,149,092)	(15,907,505)	(3,619,164)	(11,745,351)	(6,949,835)	(41,370,947)
NET BALANCE AT END OF THE YEAR	996,330	5,205,446	442,713	19,146,771	52,974,746	78,766,006
Unearned premiums reserve	436,190	2,655,303	385,257	-	23,328,485	26,805,235
Life mathematical reserve	-	-	-	12,114,000	-	12,114,000
Incurred but not reported reserve	500,000	1,350,000	500,000	-	16,589,238	18,939,238

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17 INSURANCE AND REINSURANCE PAYABLES

	2021 KD	*2020 KD*
Policyholders payables	**1,990,925**	2,840,170
Reinsurance payables	**17,394,575**	15,466,090
Claims payables	**724,211**	806,481
Other insurance payables	**294,821**	560,669
	20,404,532	19,673,410

18 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2021 KD	*2020 KD*
Reserve retained on reinsurance business	**1,469,948**	1,566,540
Accrued employees' bonus, leave balance and end of service benefits	**5,027,418**	4,440,399
Dividends payable	**506,544**	476,882
Accrued expenses	**573,299**	502,511
Board of directors' fees	**504,539**	473,725
Other payables	**4,775,957**	4,878,090
	12,857,705	12,338,147

19 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments: General risk insurance, Life and Medical insurance and Reinsurance. 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:

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19 SEGMENT INFORMATION (continued)

A) Segment information – consolidated statement of income

	General risk insurance							
Year ended 31 December 2021:	*Marine and Aviation KD*	*General accidents KD*	*Fire KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Reinsurance operations KD*	*Intercompany transactions KD*	*Total KD*
Revenue:								
Gross premiums written	7,773,486	12,540,734	6,982,273	27,296,493	17,624,107	71,645,536	(2,653,925)	113,912,211
Premiums ceded to reinsurers	(6,027,927)	(5,737,971)	(6,468,533)	(18,234,431)	(3,374,417)	(5,240,842)	2,653,925	(24,195,765)
Net premiums written	1,745,559	6,802,763	513,740	9,062,062	14,249,690	66,404,694	-	89,716,446
Movement in unearned premiums	30,060	(252,118)	54,536	(167,522)	-	(3,902,333)	-	(4,069,855)
Net premiums earned	1,775,619	6,550,645	568,276	8,894,540	14,249,690	62,502,361	-	85,646,591
Commission income on ceded reinsurance	1,938,094	1,638,212	1,149,237	4,725,543	1,159,504	384,216	(338,264)	5,930,999
Total revenue of insurance and reinsurance operations	3,713,713	8,188,857	1,717,513	13,620,083	15,409,194	62,886,577	(338,264)	91,577,590
Expenses:								
Net claims incurred	(807,477)	(4,266,191)	(559,846)	(5,633,514)	(12,847,185)	(43,094,380)	-	(61,575,079)
Commissions and premiums' acquisition costs	(467,052)	(487,687)	(75,765)	(1,030,504)	(315,009)	(13,421,241)	338,264	(14,428,490)
Movement in life mathematical reserve	-	-	-	-	(772,293)	-	-	(772,293)
Maturity and cancellations of life insurance policies	-	-	-	-	(441,539)	-	-	(441,539)
Operating and administrative expenses for insurance business	(854,346)	(1,595,268)	(569,648)	(3,019,262)	(814,539)	(2,625,076)	-	(6,458,877)
Total expenses of insurance and reinsurance operations	(2,128,875)	(6,349,146)	(1,205,259)	(9,683,280)	(15,190,565)	(59,140,697)	338,264	(83,676,278)
Net underwriting results	1,584,838	1,839,711	512,254	3,936,803	218,629	3,745,880	-	7,901,312

Year ended 31 December 2021:	*Total general risk insurance KD*	*Life and medical insurance KD*	*Reinsurance operations KD*	*Intercompany transactions KD*	*Total KD*
Net investment income	5,163,929	793,202	3,572,045	-	9,529,176
Rental income from investment properties	-	-	773,660	-	773,660
Share of results of associates	279,789	-	-	-	279,789
Other income	411,611	7,891	-	-	419,502
Impairment loss on available-for-sale financial assets	(992,063)	-	(391,764)	-	(1,383,827)
Revaluation gain on investment properties	-	-	3,399	-	3,399
Other administrative expenses, investment properties operating expenses	(825,375)	(3,772)	(821,867)	-	(1,651,014)
Loss from disposal of investment in associate	(87,198)	-	-	-	(87,198)
Impairment loss on receivables	-	-	(45,716)	-	(45,716)
Profit before contribution to KFAS, NLST, Zakat and Directors' fees	7,887,496	1,015,950	6,835,637	-	15,739,083

19 SEGMENT INFORMATION (continued)

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

	General risk insurance							
	Marine and Aviation KD	*General accidents KD*	*Fire KD*	*Total general risk insurance KD*	*Life and medical insurance KD*	*Reinsurance operations KD*	*Intercompany transactions KD*	*Total KD*
Year ended 31 December 2020:								
Revenue:								
Gross premiums written	8,928,032	11,969,335	6,883,368	27,780,735	19,493,460	56,961,783	(3,158,127)	101,077,851
Premiums ceded to reinsurers	(7,223,559)	(6,610,221)	(6,262,505)	(20,096,285)	(3,650,876)	(6,073,553)	3,158,127	(26,662,587)
Net premiums written	1,704,473	5,359,114	620,863	7,684,450	15,842,584	50,888,230	-	74,415,264
Movement in unearned premiums	(21,674)	(20,476)	(79,849)	(121,999)	-	(722,307)	-	(844,306)
Net premiums earned	1,682,799	5,338,638	541,014	7,562,451	15,842,584	50,165,923	-	73,570,958
Commission income on ceded reinsurance	2,145,684	1,805,877	1,145,578	5,097,139	1,440,092	535,684	(312,777)	6,760,138
Policy issuance fees	-	259,388	-	259,388	-	-	-	259,388
Total revenue of insurance and reinsurance operations	3,828,483	7,403,903	1,686,592	12,918,978	17,282,676	50,701,607	(312,777)	80,590,484
Expenses:								
Net claims incurred	(470,192)	(2,400,503)	(289,604)	(3,160,299)	(10,719,764)	(35,220,247)	-	(49,100,310)
Commissions and premiums' acquisition costs	(510,242)	(415,779)	(120,433)	(1,046,454)	(190,421)	(11,554,911)	312,777	(12,479,009)
Movement in life mathematical reserve	-	-	-	-	(4,513,000)	-	-	(4,513,000)
Maturity and cancellations of life insurance policies	-	-	-	-	(528,583)	-	-	(528,583)
Operating and administrative expenses for insurance business	(891,289)	(1,589,691)	(509,407)	(2,990,387)	(890,821)	(2,211,253)	-	(6,092,461)
Total expenses of insurance and reinsurance operations	(1,871,723)	(4,405,973)	(919,444)	(7,197,140)	(16,842,589)	(48,986,411)	312,777	(72,713,363)
Net underwriting results	1,956,760	2,997,930	767,148	5,721,838	440,087	1,715,196	-	7,877,121

	Total general risk insurance KD	*Life and medical insurance KD*	*Reinsurance operations KD*	*Intercompany transactions KD*	*Total KD*
Year ended 31 December 2020:					
Net investment income	4,347,123	579,532	3,500,035	-	8,426,690
Rental income from investment properties	-	-	681,345	-	681,345
Share of results of associates	2,261,282	-	-	-	2,261,282
Other income	285,042	6,001	302,703	-	593,746
Impairment loss on available-for-sale financial assets	(4,276,519)	-	(334,007)	-	(4,610,526)
Revaluation loss on investment properties	-	-	(7,248)	-	(7,248)
Other administrative expenses, investment properties operating expenses	(669,851)	(2,110)	(192,464)	-	(864,425)
Impairment loss on receivables	(150,000)	-	-	-	(150,000)
Profit before contribution to KFAS, NLST, Zakat and Directors' fees	7,518,915	1,023,510	5,665,560	-	14,207,985

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19 SEGMENT INFORMATION (continued)

B) Segment information – Consolidated statement of financial position

	General risk insurance KD	*Life and medical insurance KD*	*Reinsurance operations KD*	*Investment KD*	*Total KD*
31 December 2021					
Assets	**43,673,430**	**16,115,161**	**190,229,279**	**121,747,833**	**371,765,703**
Liabilities	**54,179,606**	**48,462,550**	**128,291,712**	**-**	**230,933,868**
31 December 2020					
Assets	51,674,186	15,707,845	159,936,036	108,346,958	335,665,025
Liabilities	58,992,647	46,691,625	104,446,724	603	210,131,599

Takaful Insurance Department
In 2009, The Group established a new insurance unit named Takaful Insurance for life and non-life insurance which will be specialised in issuing Islamic insurance products. The impact of the related operations' results on the Group's consolidated financial statements is immaterial to be disclosed separately.

20 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 1,321,824 (USD 4,362,457) (2020: KD 1,742,946 (USD 5,734,168)).

21 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 2021	*Key management and board members KD*	*Associates KD*	*Parent Company's shareholders KD*	*Others KD*	*Total KD*
Gross premiums	**37,763**	**528,473**	**1,758,036**	**22,406**	**2,346,678**
Claims incurred	**(146)**	**262,856**	**881,649**	**-**	**1,144,359**

31 December 2020	*Key management and board members KD*	*Associates KD*	*Parent Company's shareholders KD*	*Others KD*	*Total KD*
Gross premiums	26,179	552,597	1,987,956	27,541	2,594,273
Claims incurred	-	169,993	792,874	-	962,867

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21 RELATED PARTY TRANSACTIONS (continued)

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

31 December 2021	***Key management and board members KD***	***Associates KD***	***Parent Company's shareholders KD***	***Others KD***	***Total KD***
Premiums and insurance balances receivable	**33,405**	**524,624**	**2,007,015**	**9,260**	**2,574,304**
Other credit balances	**464**	**-**	**4,283**	**250**	**4,997**

31 December 2020	*Key management and board members KD*	*Associates KD*	*Parent Company's shareholders KD*	*Others KD*	*Total KD*
Premiums and insurance balances receivable	24,016	501,969	2,556,689	8,684	3,091,358
Other credit balances	-	-	2,089	-	2,089

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.

	2021 KD	*2020 KD*
Salaries and other short-term benefits	**861,545**	821,694
Employees' end of service benefits	**165,042**	66,696
	1,026,587	888,390

22 CAPITAL COMMITMENTS AND CONTINGENCIES

(a) As at 31 December 2021, the Group has future capital commitments with respect to purchase of available-for-sale financial assets amounting to KD 4,117,240 (2020: KD 4,314,239) and has contingent liabilities in respect of letter of credit arising from the subsidiary, granted by a bank amounting to KD 50,298 (2020: KD 50,564), and letter of guarantee granted by a bank to the Parent Company amounting to KD 1,413,329 (2020: KD 1,416,542) 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 financial position.

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23 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 Ministerial Decree No. 27 of 1966 and its amendments:

(a) Investments of KD 500,000 (2020: KD 500,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Investments of KD 500,000 (2020: 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 15,526,037 (2020: KD 15,526,037) are held in Kuwait.
(d) The Parent Company's premise with net carrying amount of KD 129,514 (2020: KD 129,514) has been mortgaged with the Insurance Regulatory Unit.

Subsequent to the reporting date, The management of the parent company released the held in Kuwait by the Parent Company and pledge in compliance with the New law 125 for 2019 to be as below.

(a) Investments of KD 500,000 have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Investments of 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 5,000,000 are held in Kuwait.

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

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

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as follows:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait.
  - A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies).
  - A maximum of 30% should be invested in Kuwaiti Companies' shares or bonds.
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

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24 RISK MANAGEMENT (continued)

(b) Regulatory framework (continued)
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.
- 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.

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24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)
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.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

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

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

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

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

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

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

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

The main risks that the Group is exposed to are as follows:
- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

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

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24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

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

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

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

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

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

31 December 2021 **Type of contract**	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Term insurance	**23,784**	**(5,173)**	**18,611**
Life and disability	**6,432,860**	**(1,399,163)**	**5,033,697**
Medical	**704,287**	**(19,346)**	**684,941**
Endowment individual policies	**3,037,782**	**(4,177)**	**3,033,605**
Pensions (individual policies)	**113,962**	**-**	**113,962**
Total life insurance contracts	**10,312,675**	**(1,427,859)**	**8,884,816**
Total investment contracts and participation feature	**3,946,421**	**-**	**3,946,421**
Other life insurance contracts liabilities	**55,056**	**-**	**55,056**
Life insurance contracts outstanding claims reserve	**14,314,152**	**(1,427,859)**	**12,886,293**

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24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

31 December 2020 Type of contract	*Gross liabilities* *KD*	*Reinsurers' share of liabilities* *KD*	*Net liabilities* *KD*
Term insurance	24,144	(11,257)	12,887
Life and disability	6,643,191	(1,402,524)	5,240,667
Medical	694,385	(4,897)	689,488
Endowment individual policies	2,448,191	(90,227)	2,357,964
Pensions (individual policies)	58,069	-	58,069
Total life insurance contracts	9,867,980	(1,508,905)	8,359,075
Total investment contracts and participation feature	3,712,533	-	3,712,533
Other life insurance contracts liabilities	42,392	-	42,392
Life insurance contracts outstanding claims reserve	13,622,905	(1,508,905)	12,114,000

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

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

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

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

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

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

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

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

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

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

The assumptions that have the maximum effect on the consolidated statement of financial position and consolidated statement of income of the Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
Investment contracts:												
With fixed and guaranteed terms	**A49/52 Ult**	A49/52 Ult	**2.5%**	3%	**N/A**	N/A	3%	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Non-guaranteed terms	**A49/52 Ult**	A49/52 Ult	**N/A**	N/A	**N/A**	N/A	3%	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Life term assurance:												
Males	**A49/52 Ult**	A49/52 Ult	**N/A**	N/A	**N/A**	N/A	3%	3%	**10% of AP**	5% of AP+1% of SA	**3%**	3%
Females	**A49/52 Ult**	A49/52 Ult	**N/A**	N/A	**N/A**	N/A	3%	3%	**10% of AP**	5% of AP+1% of SA	**3%**	3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

(2) Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: marine and aviation, 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.

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

31 December 2021	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**2,578,298**	**(1,790,762)**	**787,536**
General Accident	**15,370,584**	**(10,531,700)**	**4,838,884**
Fire	**4,711,673**	**(4,190,142)**	**521,531**
Reinsurance operations	**72,875,741**	**(10,025,960)**	**62,849,781**
Total	**95,536,296**	**(26,538,564)**	**68,997,732**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

31 December 2020	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	4,145,422	(3,149,092)	996,330
General Accident	21,112,951	(15,907,505)	5,205,446
Fire	4,061,877	(3,619,164)	442,713
Reinsurance operations	59,924,581	(6,949,835)	52,974,746
Total	89,244,831	(29,625,596)	59,619,235

Key assumptions
The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

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

31 December 2021	***Change in assumption %***	***Impact on gross liabilities KD000***	***Impact on net liabilities KD000***	***Impact on profit KD000***
Average claim cost	**± 10**	**9,553**	**6,899**	**6,899**

31 December 2020	*Change in assumption %*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	± 10	8,924	5,961	5,961

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

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

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 provision as of 31 December 2021:

	2013 KD	*2014 KD*	*2015 KD*	*2016 KD*	*2017 KD*	*2018 KD*	*2019 KD*	*2020 KD*	***2021 KD***	***Total KD***
a) Gross incurred claims										
At end of accident year	19,113,079	16,555,754	17,926,693	14,429,259	30,463,710	22,128,277	23,103,565	28,437,739	41,028,758	
One year later	31,592,658	29,982,623	29,133,973	21,495,789	49,244,819	36,099,130	40,205,927	43,690,241		
Two years later	32,646,558	37,139,573	29,942,469	25,374,214	54,345,854	37,086,620	51,258,199			
Three years later	33,625,674	38,586,934	33,167,511	30,205,870	53,732,741	45,179,654				
Four years later	34,316,833	42,078,710	43,103,784	29,018,874	56,326,118					
Five years later	35,069,689	46,616,148	43,689,733	32,215,033						
Six years later	40,307,264	46,693,109	43,181,919							
Seven years later	34,731,223	46,811,368								
Eight years later	34,793,982									
Current estimate of cumulative claims incurred	34,793,982	46,811,368	43,181,919	32,215,033	56,326,118	45,179,654	51,258,199	43,690,241	**41,028,758**	**394,485,272**
b) Less: cumulative payments to date	(32,395,668)	(41,792,115)	(33,733,791)	(25,103,237)	(43,285,351)	(28,845,108)	(23,910,552)	(10,543,730)	**(4,143,610)**	**(243,753,162)**
Liability recognised in the statement of financial position	**2,398,314**	**5,019,253**	**9,448,128**	**7,111,796**	**13,040,767**	**16,334,546**	**27,347,647**	**33,146,511**	**36,885,148**	**150,732,110**
c) Add: Gross liabilities in respect of years prior to 2013										**3,051,987**
d) Total liability included in the consolidated statement of financial position (Note 16)										**153,784,097**

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As at 31 December 2021

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table (continued)
Net insurance contracts' outstanding claims provision as of 31 December 2021:

	2013 KD	*2014 KD*	*2015 KD*	*2016 KD*	*2017 KD*	*2018 KD*	*2019 KD*	*2020 KD*	***2021 KD***	***Total KD***
a) Net incurred claims										
At end of accident year	16,172,209	14,087,690	15,480,468	12,955,651	17,565,817	18,770,162	17,965,665	25,544,420	34,483,255	
One year later	25,083,787	22,693,677	23,021,521	14,972,087	22,395,094	26,815,711	26,344,335	33,457,968		
Two years later	25,722,514	22,862,179	23,671,018	16,769,886	25,589,552	29,179,015	30,849,944			
Three years later	26,104,166	24,298,730	23,894,643	18,860,542	25,026,603	30,934,616				
Four years later	26,199,410	25,652,992	25,831,648	18,113,866	25,738,462					
Five years later	26,921,371	25,627,302	25,927,860	18,262,100						
Six years later	26,846,111	25,410,729	25,937,345							
Seven years later	25,913,486	25,111,985								
Eight years later	26,049,408									
Current estimate of cumulative claims incurred	**26,049,408**	**25,111,985**	**25,937,345**	**18,262,100**	**25,738,462**	**30,934,616**	**30,849,944**	**33,457,968**	**34,483,255**	**250,825,083**
b) Less: cumulative payments to date	(25,141,771)	(23,863,415)	(21,662,164)	(16,142,395)	(21,684,094)	(23,499,313)	(17,297,813)	(11,120,485)	**(1,318,075)**	**(161,729,525)**
Liability recognised in the statement of financial position	**907,637**	**1,248,570**	**4,275,181**	**2,119,705**	**4,054,368**	**7,435,303**	**13,552,131**	**22,337,483**	**33,165,180**	**89,095,558**
c) Add: liabilities in respect of years prior to 2013										**527,665**
d) Net liability included in the consolidated statement of financial position (Note 16)										**89,623,223**

The Company is not significantly exposed to reinsurance risk as it retains around 97% of the business accepted.

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As at 31 December 2021

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

		31 December 2021		
Exposure credit risk by classifying financial assets according to type of insurance	***General insurance KD***	***Life and Medical insurance KD***	***Reinsurance operations KD***	***Total KD***
Financial assets held to maturity (debt securities)	**10,787,551**	**7,250,000**	**16,699,600**	**34,737,151**
Bonds classified as available-for-sale financial assets	**-**	**-**	**273,364**	**273,364**
Loans secured by life insurance policyholders	**-**	**60,207**	**-**	**60,207**
Policyholders accounts receivable (gross)	**19,351,937**	**2,294,618**	**-**	**21,646,555**
Insurance and reinsurance receivables (gross)	**4,610,099**	**956,840**	**-**	**5,566,939**
Reinsurance recoverable on outstanding claims	**16,512,604**	**11,968,264**	**10,025,960**	**38,506,828**
Receivables arising from reinsurance contracts	**-**	**-**	**35,911,173**	**35,911,173**
Other debit balances	**1,487,707**	**72,532**	**120,652**	**1,680,891**
Fixed deposits	**10,485,000**	**22,040,120**	**92,958,182**	**125,483,302**
Bank balances	**1,550,663**	**170,327**	**5,902,877**	**7,623,867**
Total credit risk exposure	**64,785,561**	**44,812,908**	**161,891,808**	**271,490,277**

		31 December 2020		
Exposure credit risk by classifying financial assets according to type of insurance	*General insurance KD*	*Life and Medical insurance KD*	*Reinsurance operations KD*	*Total KD*
Financial assets held to maturity (debt securities)	9,649,699	5,750,000	13,699,600	29,099,299
Bonds classified as available-for-sale financial assets	293,715	-	-	293,715
Loans secured by life insurance policyholders	-	74,207	-	74,207
Policyholders accounts receivable (gross)	19,804,992	2,384,861	-	22,189,853
Insurance and reinsurance receivables (gross)	5,678,509	1,012,289	-	6,690,798
Reinsurance recoverable on outstanding claims	22,675,761	11,745,351	6,949,835	41,370,947
Receivables arising from reinsurance contracts	-	-	32,645,246	32,645,246
Other debit balances	1,503,368	69,834	114,649	1,687,851
Fixed deposits	10,835,000	15,893,623	70,689,219	97,417,842
Bank balances	1,901,131	57,474	6,768,849	8,727,454
Total credit risk exposure	72,342,175	36,987,639	130,867,398	240,197,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

24 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

Exposure credit risk by classifying financial assets according to international credit rating agencies	***A KD***	***B KD***	***Not rated KD***	***Total KD***
31 December 2021				
Financial assets held to maturity (debt securities)	**-**	**-**	**34,737,151**	**34,737,151**
Bonds classified as available-for-sale financial assets	**-**	**-**	**273,364**	**273,364**
Loans secured by life insurance policyholders	**-**	**-**	**60,207**	**60,207**
Policyholders accounts receivable (gross)	**-**	**-**	**21,646,555**	**21,646,555**
Insurance and reinsurance receivables (gross)	**1,237,628**	**4,329,311**	**-**	**5,566,939**
Reinsurance recoverable on outstanding claims	**37,560,448**	**946,380**	**-**	**38,506,828**
Receivables arising from reinsurance contracts	**-**	**-**	**35,911,173**	**35,911,173**
Other debit balances	**-**	**-**	**1,680,891**	**1,680,891**
Fixed deposits	**125,483,302**	**-**	**-**	**125,483,302**
Bank balances	**7,623,867**	**-**	**-**	**7,623,867**
Total credit risk exposure	**171,905,245**	**5,275,691**	**94,309,341**	**271,490,277**

Exposure credit risk by classifying financial assets according to international credit rating agencies	*A KD*	*B KD*	*Not rated KD*	*Total KD*
31 December 2020				
Financial assets held to maturity (debt securities)	-	-	29,099,299	29,099,299
Bonds classified as available-for-sale financial assets	-	-	293,715	293,715
Loans secured by life insurance policyholders	-	-	74,207	74,207
Policyholders accounts receivable (gross)	-	-	22,189,853	22,189,853
Insurance and reinsurance receivables (gross)	5,352,638	1,338,160	-	6,690,798
Reinsurance recoverable on outstanding claims	34,337,886	7,033,061	-	41,370,947
Receivables arising from reinsurance contracts	-	-	32,645,246	32,645,246
Other debit balances	-	-	1,687,851	1,687,851
Fixed deposits	97,417,842	-	-	97,417,842
Bank balances	8,727,454	-	-	8,727,454
Total credit risk exposure	145,835,820	8,371,221	85,990,171	240,197,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

24 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)
Unrated assets are classified as follows using internal credit ratings.

31 December 2021	*Neither past due nor impaired KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	**34,737,151**	**-**	**34,737,151**
Bonds classified as available-for-sale financial assets	**273,364**	**-**	**273,364**
Loan secured by life insurance policy	**60,207**	**-**	**60,207**
Policyholders' accounts receivable (gross)	**19,155,212**	**2,491,343**	**21,646,555**
Receivables arising from reinsurance contracts	**33,307,459**	**2,603,714**	**35,911,173**
Other assets	**1,680,891**	**-**	**1,680,891**
	89,214,284	**5,095,057**	**94,309,341**

31 December 2020	*Neither past due nor impaired KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	29,099,299	-	29,099,299
Bonds classified as available-for-sale financial assets	293,715	-	293,715
Loan secured by life insurance policy	74,207	-	74,207
Policyholders' accounts receivable (gross)	19,691,959	2,497,894	22,189,853
Receivables arising from reinsurance contracts	30,034,981	2,610,265	32,645,246
Other assets	1,687,851	-	1,687,851
	80,882,012	5,108,159	85,990,171

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

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

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

31 December 2021	***Within 1 year KD***	***More than 1 year KD***	***Total KD***
Insurance and reinsurance payables	**19,385,500**	**1,019,032**	**20,404,532**
Other credit balances	**5,853,795**	**7,003,910**	**12,857,705**
	25,239,295	**8,022,942**	**33,262,237**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

24 RISK MANAGEMENT (continued)

(2) Liquidity risk (continued)

31 December 2020	*Within 1 year* *KD*	*More than 1 year* *KD*	*Total* *KD*
Insurance and reinsurance payables	18,306,260	1,367,150	19,673,410
Other credit balances	5,854,326	6,483,821	12,338,147
	24,160,586	7,850,971	32,011,557

3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: currency risk, interest rate risk and equity price risk.

(i) Currency risk

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

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

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

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

		2021		*2020*	
	Change in Variables *%*	***Impact on profit for the year*** ***KD***	***Impact on other comprehensive income*** ***KD***	*Impact on profit for the year* *KD*	*Impact on other comprehensive income* *KD*
USD	±5	**248,823**	**1,997,943**	285,004	1,759,466
JD	±5	**1,834**	**123,365**	427	162,271
EGP	±5	**489**	**124,091**	2,332	110,015
Euro	±5	**32,247**	**264,767**	9,334	202,280
GBP	±5	**4,305**	**81,880**	4,449	399,112
Others	±5	**960**	**1,704,216**	2,084	617,875

(ii) Interest rate risk

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

24 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

3) Market risk (continued)

(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 available-for-sale 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	***2021 KD***	*2020 KD*
Kuwait	**± 3,687,691**	± 2,929,843
Other GCC countries	**± 44,190**	± 47,939

25 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.

	2021 KD	*2020 KD*
Liabilities arising from insurance contracts	**197,545,480**	177,995,426
Payables	**33,388,388**	32,136,173
Less:		
Term deposits	**(125,483,302)**	(97,417,842)
Bank balances and cash	**(7,650,924)**	(9,498,300)
Net debt	**97,799,642**	103,215,457
Total capital	**140,831,835**	125,533,426
Total capital and net debt	**238,631,477**	228,748,883
Gearing ratio	**41%**	45%

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets held to maturity, loans secured by life insurance policyholders, available-for-sale financial assets, financial assets at fair value through profit or loss, receivables arising from reinsurance contracts and premium accruals, reinsurance recoverable on outstanding claims, premiums and insurance balances receivable, accounts receivables and other debit balances, fixed deposits and bank balances. Financial liabilities consist of insurance and reinsurance payables and accounts payable and other credit balances.

The fair values of financial instruments, with the exception of certain available-for-sale financial assets carried at cost amounting to KD 6,188,181 (2020: KD 8,527,453) (Note 9), are not materially different from their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

31 December 2021	***Quoted prices in active markets (Level 1) KD***	***Significant unobservable inputs (Level 3) KD***	***Total fair value KD***
Available-for-sale financial assets:			
Quoted equity securities	**26,299,980**	**-**	**26,299,980**
Unquoted equity securities	**-**	**8,459,533**	**8,459,533**
Unquoted managed funds	**-**	**15,978,098**	**15,978,098**
Total	**26,299,980**	**24,437,631**	**50,737,611**
Financial assets at fair value through profit or loss:			
Unquoted equity securities	**-**	**753,534**	**753,534**
Investment Properties	**-**	**11,814,673**	**11,814,673**

31 December 2020	*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	20,614,153	-	20,614,153
Unquoted equity securities	-	6,625,324	6,625,324
Unquoted managed funds	-	16,486,014	16,486,014
Total	20,614,153	23,111,338	43,725,491
Financial assets at fair value through profit or loss:			
Unquoted equity securities	-	906,486	906,486
Investment Properties	-	11,818,076	11,818,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26 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 & lack of Control	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 846 thousands.
	Price to book value	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	10%	An increase or (decrease) by 10% in the price to book multiple would result in increase or (decrease) in fair value by KD 846 thousands.
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 would result in increase or (decrease) in fair value by KD 1,598 thousands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2021

26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	At the beginning of the year KD	*Net 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 2021					
Available-for-sale financial assets:					
Unquoted equity securities	**6,625,324**	**914,262**	**(185,100)**	**1,105,047**	**8,459,533**
Unquoted managed funds	**16,486,014**	**624,818**	**(236,963)**	**(895,771)**	**15,978,098**
	23,111,338	**1,539,080**	**(422,063)**	**209,276**	**24,437,631**
Financial assets at fair value through profit or loss:					
Unquoted equity securities	**906,486**	**-**	**-**	**(152,952)**	**753,534**
Investment properties	**11,818,076**	**-**	**(3,403)**	**-**	**11,814,673**
31 December 2020					
Available-for-sale financial assets:					
Unquoted equity securities	6,673,509	(48,185)	-	-	6,625,324
Unquoted managed funds	15,873,903	827,856	(110,296)	(105,449)	16,486,014
	22,547,412	779,671	(110,296)	(105,449)	23,111,338
Financial assets at fair value through profit or loss:					
Unquoted equity securities	905,895	-	591	-	906,486
Investment properties	11,821,378	-	(3,302)	-	11,818,076

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27 DIVIDENDS, BONUS SHARES, AND DIRECTOR'S REMMUNERATION

Cash dividend and bonus shares

The General Assembly meeting of the shareholders of the Parent Company held on 23 March 2021 approved the consolidated financial statements for the year ended 31 December 2020 and approved the cash dividends of 25% for the year ended 31 December 2020 (31 December 2019: 25%), totaling to KD 5,159,450 (31 December 2019: KD 4,913,768). 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 29 April 2021 which was defined in accordance with Capital Market Authority regulations.

On 23 February 2022, the Parent Company's board of directors has proposed a remuneration for the directors of KD 298,039 (2020: 195,350) for the year ended 31 December 2021. This proposal is subject to the approval by Annual Ordinary General Assembly Meeting of the Parent Company's shareholders. The subsidiary's board of directors has proposed a remuneration for the directors of KD 206,500 (2020: 185,495) and is subject to the approval of the subsidiary's Annual Ordinary General Assembly Meeting. The prior year board of director's remuneration for both the Parent Company and the subsidiary has been approved by the AGM.

During the year, the ordinary general assembly meeting ("AGM") of the Parent Company's shareholders held on 23 March 2021 approved to a bonus shares issue of 5% (2019: 5%) of the authorised, issued, and fully paid share capital for the year ended 31 December 2020.

The extra-ordinary general assembly ("EGM") of the Parent Company's shareholders held on 23 March 2021 approved the increase of Parent Company's authorised, issued, and fully paid share capital by issuing 10,500,000 bonus shares at 5% of the authorised and paid-up share capital.

28 COVID IMPACT

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

Recoverability of receivables

The COVID-19 outbreak led to an increase in the credit risk of companies within the economy as a result of operational disruption.

Based on the management, the Group has not identified a material impact to the recoverability of receivables for the year ended 31 December 2021 except for what is disclosed in the consolidated financial statements in relation to the receivables of the Group.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.
The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

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

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28 COVID IMPACT (continued)

Fair value measurement of investment properties
As the real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

Based on the management, this is in early stages and there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Group has not identified any significant impact to the fair values of investment properties for the year ended 31 December 2021. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

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

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