

**AL-AHLEIA INSURANCE COMPANY S.A.K.P.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024



**Shape the future
with confidence**

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 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Insurance contract liabilities

Insurance contract liabilities include: Liability for Remaining coverage (LFRC) and Liability for incurred claims (LIC). These insurance contract liabilities amount to KD 235,334,784, are significant to the Group's consolidated financial statements as at 31 December 2024, as reported in Note 10 and Note 11 to the consolidated financial statements.

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

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

The Group uses the work an external independent actuary for the determination of insurance contract liabilities.

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

Refer to Note 2 for the accounting policies and significant accounting judgements, estimates and assumptions adopted by the Group, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to Note 10 and Note 11 for the movement in insurance contract liabilities.

Our procedures, among others, included the following:

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

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Insurance contract liabilities (continued)

- ▶ Involved our internal actuarial specialists to assess the Group's methods and assumptions and evaluate the Group's actuarial practices and provisions established including the actuarial report issued by management's external independent expert, by performing the following:
 - i. Evaluated whether the Group's actuarial methodologies were consistent with generally accepted actuarial practices and with prior year.
 - ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims.; and
 - iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.
- ▶ Further, we assessed the adequacy of the related disclosures given in Note 10 and Note 11 to the consolidated financial statements.

Other information included in the Group's 2024 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.

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)

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 IFRS Accounting Standards as issued by the IASB 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.

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.

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)

- ▶ 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.
- ▶ Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

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.

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

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 2024 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended, during the year ended 31 December 2024 that might have had a material effect on the business of the Parent Company or on its financial position.



ABDULKARIM AL-SAMDAN
LICENCE NO. 208 A
EY
(AL AIBAN AL OSAIMI & PARTNERS)

19 February 2025
Kuwait

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2024

	Notes	2024 KD	2023 KD
Revenue:			
Insurance revenue	11.1	132,145,171	121,419,917
Insurance service expenses	11.1	(105,391,581)	(101,742,819)
Insurance service result before reinsurance contracts held		26,753,590	19,677,098
Amounts recoverable from reinsurers for incurred claims	11.2	15,123,271	18,848,333
Allocation of reinsurance premiums	11.2	(22,658,727)	(18,197,719)
Net (expense) income from reinsurance contracts held		(7,535,456)	650,614
Insurance service result		19,218,134	20,327,712
Finance expenses from insurance contracts issued	11	(2,689,486)	(2,788,710)
Finance income from reinsurance contracts held	11	1,020,895	986,349
Net insurance financial result		17,549,543	18,525,351
Investment income	4	15,575,738	12,672,376
Rental income from investment properties		637,166	687,107
Investment property operating expenses		(73,014)	(77,909)
Unallocated general and administrative expenses		(4,520,997)	(3,352,063)
Net other expenses		(2,965,458)	(5,322,651)
Revaluation gain on investment properties		8,580	25,740
Foreign exchange difference		(354,810)	(482,185)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTOR'S FEES		25,856,748	22,675,766
Contribution to KFAS		(246,179)	(216,483)
NLST		(529,862)	(575,683)
Zakat		(211,532)	(229,863)
Directors Fees		(672,678)	(598,841)
PROFIT FOR THE YEAR		24,196,497	21,054,896
Attributable to:			
Equity holders of the Parent Company		22,652,553	20,027,435
Non-controlling interests		1,543,944	1,027,461
PROFIT FOR THE YEAR		24,196,497	21,054,896
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	104.53 fils	92.42 fils

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

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 KD	2023 KD
Profit for the year		<u>24,196,497</u>	<u>21,054,896</u>
Other comprehensive income (loss):			
<i>Items that are or may be subsequently reclassified to consolidated statement of income:</i>			
Share of other comprehensive income from associates		88,491	273,013
Exchange difference on translation on foreign operation		<u>(93,842)</u>	<u>264,542</u>
		<u>(5,351)</u>	<u>537,555</u>
<i>Items that will not subsequently reclassified to consolidated statement of income:</i>			
Change in fair value of financial assets at FVOCI		<u>1,313,092</u>	<u>(7,452,014)</u>
Other comprehensive income (loss) for the year		<u>1,307,741</u>	<u>(6,914,459)</u>
Total comprehensive income for the year		<u><u>25,504,238</u></u>	<u><u>14,140,437</u></u>
Attributable to:			
Equity holders of the Parent Company		23,991,466	13,040,077
Non-controlling interests		<u>1,512,772</u>	<u>1,100,360</u>
		<u><u>25,504,238</u></u>	<u><u>14,140,437</u></u>

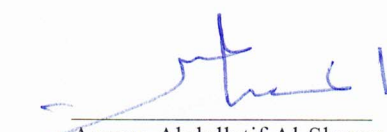
The attached notes 1 to 25 form part of these consolidated financial statements.


Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	31 December 2024 KD	31 December 2023 KD
ASSETS			
Cash and cash equivalent	6	8,333,706	8,181,168
Term deposits	6	216,120,963	169,337,160
Other assets	12	7,210,007	7,786,345
Insurance contract assets	10,11	55,560	5,363
Reinsurance contract assets	10,11	59,437,466	57,037,094
Debt instrument at amortised cost	9	45,628,678	44,097,711
Financial assets at fair value through other comprehensive income	9	21,049,839	18,478,724
Financial assets at fair value through profit or loss	9	35,728,482	29,339,851
Investment properties	7	11,850,037	11,834,859
Investments in associates	8	23,094,558	25,247,377
Property and equipment		3,462,229	3,315,316
TOTAL ASSETS		431,971,525	374,660,968
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance contract liabilities	10,11	235,334,784	200,565,084
Reinsurance contract liabilities	10,11	8,657,424	5,948,840
Other liabilities	16	23,045,251	19,453,067
Total liabilities		267,037,459	225,966,991
Equity			
Share capital	13	22,050,000	22,050,000
Statutory reserve	14	20,000,000	20,000,000
Voluntary reserve	14	20,000,000	20,000,000
Special voluntary reserve	14	20,000,000	19,000,000
Treasury shares	15	(1,277,216)	(1,278,932)
Treasury shares reserve		1,477,111	1,474,675
Cumulative changes in fair value reserve		(8,782,271)	(10,200,564)
Foreign currency translation reserve		460,687	535,400
Retained earnings		77,063,091	66,791,778
Other reserves		3,315,958	1,399,845
Equity attributable to the equity holders of the Parent Company		154,307,360	139,772,202
Non-controlling interests		10,626,706	8,921,775
Total Equity		164,934,066	148,693,977
TOTAL LIABILITIES AND EQUITY		431,971,525	374,660,968


Ayman Abdullatif Al-Shayea
Chairman


Yousef Saad Al Saad
Chief Executive Officer

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

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Equity attributable to equity holders of the Parent Company</i>												
	<i>Share Capital</i> <i>KD</i>	<i>Statutory reserve</i> <i>KD</i>	<i>Voluntary reserve</i> <i>KD</i>	<i>Special voluntary reserve</i> <i>KD</i>	<i>Treasury shares</i> <i>KD</i>	<i>Treasury shares reserve</i> <i>KD</i>	<i>Cumulative change in Fair value reserve</i> <i>KD</i>	<i>Foreign currency translation reserve</i> <i>KD</i>	<i>Retained earnings</i> <i>KD</i>	<i>Other reserves</i> <i>KD</i>	<i>Subtotal</i> <i>KD</i>	<i>Non-controlling interests</i> <i>KD</i>	<i>Total Equity</i> <i>KD</i>
As at 1 January 2024 (Audited)	22,050,000	20,000,000	20,000,000	19,000,000	(1,278,932)	1,474,675	(10,200,564)	535,400	66,791,778	1,399,845	139,772,202	8,921,775	148,693,977
Profit for the year	-	-	-	-	-	-	-	-	22,652,553	-	22,652,553	1,543,944	24,196,497
Other comprehensive income for the year	-	-	-	-	-	-	1,413,626	(74,713)	-	-	1,338,913	(31,172)	1,307,741
Total comprehensive income for the year	-	-	-	-	-	-	1,413,626	(74,713)	22,652,553	-	23,991,466	1,512,772	25,504,238
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(6,500,899)	-	(6,500,899)	(136,520)	(6,637,419)
Sale of treasury shares	-	-	-	-	1,716	2,436	-	-	-	-	4,152	-	4,152
Transfer to special voluntary reserve	-	-	-	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-
In-kind dividends (Note 25)	-	-	-	-	-	-	-	-	(4,875,674)	1,912,597	(2,963,077)	2,963,077	-
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	3,516	3,516	(2,634,398)	(2,630,882)
Loss on disposal of investments at fair value through OCI	-	-	-	-	-	-	4,667	-	(4,667)	-	-	-	-
As at 31 December 2024	22,050,000	20,000,000	20,000,000	20,000,000	(1,277,216)	1,477,111	(8,782,271)	460,687	77,063,091	3,315,958	154,307,360	10,626,706	164,934,066

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

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

	<i>Equity attributable to equity holders of the Parent Company</i>												
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Special voluntary reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Cumulative change in Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Other reserves KD</i>	<i>Subtotal KD</i>	<i>Non-controlling interests KD</i>	<i>Total Equity KD</i>
As at 1 January 2023 (Restated)	22,050,000	20,000,000	20,000,000	18,000,000	(1,278,932)	1,474,675	(3,166,834)	270,858	56,650,379	1,454,565	135,454,711	8,012,793	143,467,504
Profit for the year	-	-	-	-	-	-	-	-	20,027,435	-	20,027,435	1,027,461	21,054,896
Other comprehensive (loss) income for the year	-	-	-	-	-	-	(7,251,900)	264,542	-	-	(6,987,358)	72,899	(6,914,459)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(7,251,900)	264,542	20,027,435	-	13,040,077	1,100,360	14,140,437
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(8,667,866)	-	(8,667,866)	(242,834)	(8,910,700)
Transfer to special voluntary reserve	-	-	-	1,000,000	-	-	-	-	(1,000,000)	-	-	-	-
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	(54,720)	(54,720)	51,456	(3,264)
Loss on disposal of investments at fair value through OCI	-	-	-	-	-	-	218,170	-	(218,170)	-	-	-	-
As at 31 December 2023	22,050,000	20,000,000	20,000,000	19,000,000	(1,278,932)	1,474,675	(10,200,564)	535,400	66,791,778	1,399,845	139,772,202	8,921,775	148,693,977

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

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 December 2024

	Notes	2024 KD	2023 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, Zakat and Directors Fees		25,856,748	22,675,766
Adjustments for:			
Depreciation of property and equipment		220,422	144,865
Investment income	4	(15,575,738)	(12,672,376)
Rental income from investment properties		(637,166)	(687,107)
Provision of employees' end of service benefits		336,010	461,096
Revaluation gain on investment properties		(8,580)	(25,740)
Gain on sale of property and equipment		(13,466)	-
		10,178,230	9,896,504
Changes in operating assets and liabilities:			
Other assets		2,053,243	454,044
Insurance contract assets		(50,197)	16,137,092
Reinsurance contract assets		(2,400,372)	(419,194)
Insurance contract liabilities		34,771,615	21,389,101
Reinsurance contract liabilities		2,708,584	(15,634,301)
Other liabilities		1,783,778	2,939,736
Cash flows from operations		49,044,881	34,762,982
Employees' end if service benefits paid		(97,306)	(134,352)
Net cash flows from operating activities		48,947,575	34,628,630
INVESTING ACTIVITIES			
Movement in time deposits		(46,783,803)	(22,756,189)
Acquisition of non-controlling interest		970	(3,264)
Proceeds from sale of financial assets at fair value through OCI		1,174	31,708
Purchase of financial assets at fair value through OCI		(1,259,386)	-
Proceeds from sale of property and equipment		13,466	-
Purchase of financial assets at fair value through profit or loss		(7,553,616)	(6,278,775)
Proceed from sale of financial assets at fair value through profit or loss		2,115,203	1,828,766
Purchase of property and equipment		(367,317)	(187,900)
Investment income received		12,223,034	8,234,762
Dividends income from investment in associates	8	635,606	-
Purchase of debt instruments at amortised cost		(1,549,760)	(6,622,811)
Proceeds of debt instruments at amortised cost		17,995	20,925
Rental income received		627,796	680,425
Net cash flows used in investing activities		(41,878,638)	(25,052,353)
FINANCING ACTIVITY			
Cash dividends paid		(6,727,968)	(8,868,842)
Proceed from sale of treasury shares		4,152	-
Proceeds from borrowing		15,000,000	-
Repayment of borrowing		(15,000,000)	-
Net cash flows used in financing activities		(6,723,816)	(8,868,842)
Foreign currency exchange difference		(192,583)	68,123
NET INCREASE IN CASH AND CASH EQUIVALENTS		152,538	775,558
Cash and cash equivalents as at 1 January		8,181,168	7,405,610
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	6	8,333,706	8,181,168

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

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

1 CORPORATE INFORMATION

The consolidated financial statements of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries – Kuwait Reinsurance Company K.S.C.P. and Trade Union Holding B.S.C (closed), (collectively the "Group") for the year ended 31 December 2024 were authorised for issuance with a resolution of the Board of Directors on 19 February 2025. The general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the Parent Company's Articles of Association, amended. The Parent Company's registered head office address is located at Ahmad Al-Jaber street and its registered postal address is P. O. Box 1602 Safat, 13017, Kuwait.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss recorded at fair value.

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

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2024 (together referred to as "the Group") as follows:

	Incorporation country	Activity	Ownership (%) 31 December 2024	Ownership (%) 31 December 2023
Kuwait Reinsurance Company K.S.C.P.*	Kuwait	Insurance and reinsurance operations	87.98	91.74
Al-Etihad Union Holding B.S.C (Closed)	Bahrain	Insurance and reinsurance operations	83.5	83.5
Al Ahleia Multi General Trading and Contracting (W.L.L.)	Kuwait	Investment company	99	99

**Change in ownership percentage as a result of the in-kind dividends (Note 25).*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee,
- ▶ Rights arising from other contractual arrangements,
- ▶ Parent Company's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial information of subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

2.3.1 New and amended accounting policies, standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

2.3.1 New standards, interpretations, and amendments adopted by the group

The Group applied the following amendments effective from 1 January 2024, which has no significant impact on the consolidated financial statements of the Group:

- ▶ Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- ▶ Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- ▶ Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 None of these amendments had an impact on the group consolidated financial statements at 31 December 2024.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

2.4.1 Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- ▶ A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- ▶ Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- ▶ Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- ▶ The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

2.4.2 Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

2.4.2 IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on its consolidated financial statements.

2.4.4 IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Parent Company's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

2.5 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Insurance and Reinsurance Contracts

Definition and classification

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

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

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

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

(i) Classification

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and Reinsurance Contracts (continued)

Definition and classification (continued)

(i) Classification (continued)

The Group issues the following products

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

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

(ii) Separating components from insurance and reinsurance contracts

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

(iii) Level of Aggregation

IFRS 17 requires the Group to determine the level of aggregation for applying its requirements.

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

The Group applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into two groups, as follows:

- (i) any contracts that are onerous on initial recognition;
- (ii) any remaining contracts in the portfolio.

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

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Historical information
- Results of similar contracts it has recognised.
- Environmental factors, e.g., a change in market experience or regulations

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

(iv) Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date.
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(iv) Recognition (continued)

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

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

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

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

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

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

(v) Contract modification and derecognition

An insurance contract is derecognized when it is:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(v) Contract modification and derecognition (continued)

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

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

(vi) Fulfilment cash flows

Fulfilment cash flows within contract boundary

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

The estimates of future cash flows:

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

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

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows.

The discount rates reflect the characteristics of the cash flows arising from the Groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Group's non-performance is not included in the measurement of Groups of insurance contracts issued.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(vii) Contract boundary

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

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

Or both of the following criteria are satisfied:

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and Reinsurance Contracts (continued)

(ix) Measurement Model Application

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

When measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

(x) Insurance contracts- Initial and subsequent measurement

The Group uses the PAA for measuring contracts with a coverage period of one year or less and on contracts that pass the eligibility testing as stated above.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

(xi) Onerous contracts – Loss component on PAA

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

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

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

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

(xii) Insurance acquisition costs

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

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

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

The acquisition costs are generally capitalized and recognized in the consolidated statement of income over the life of the contracts. However, for contracts under PAA approach, there is an option to recognize any insurance acquisition cash flows as an expense when the Group incurs those costs. The Group has elected to choose the option. No separate asset is recognized for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

(xiii) Risk adjustment for non-financial risk

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

The Group has chosen a certain confidence level based on the percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

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

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

Insurance revenue

As the Group provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services. For groups of insurance contracts measured under the PAA, the Group recognizes insurance revenue based on the passage of time over the coverage period of a Group of contracts. Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

Insurance service expenses

Insurance service expenses include the following:

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

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in other operating expenses in the statement of income.

Net income (expenses) from reinsurance contracts held

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

- a) reinsurance expenses;
- b) incurred claims recovery;
- c) other incurred directly attributable insurance service expenses;
- d) effect of changes in risk of reinsurer non-performance;
- e) changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services. For groups of reinsurance contracts held measured under the PAA, the Group recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

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

Insurance finance income or expenses

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

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

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

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

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

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

Reinsurance contracts- Initial and subsequent measurement

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

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

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

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

Insurance acquisition cash flows

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance and reinsurance contracts (continued)

Insurance acquisition cash flows(continued)

All acquisition costs are to be deferred. The Group uses a systematic and rational method to allocate:

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

- ▶ to that group; and
- ▶ to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

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

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

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

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

Impairment of non-financial assets

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

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

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

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

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

Impairment losses are recognised in the consolidated statement of income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment, including owner-occupied property is stated at cost, excluding the costs of day-to-day Servicing, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Replacement or major inspection costs are capitalised when incurred, if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- | | |
|---|----------------|
| ▶ Buildings on freehold land | 25 years |
| ▶ Leasehold properties | 20 to 25 years |
| ▶ Furniture, fixtures, equipment and motor vehicles | 3 to 5 years |

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year-end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

Investment properties

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

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

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

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee and which is neither a subsidiary nor a joint venture, but is not control or joint control over those policies.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investment in associates

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

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

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

The financial statements of the associates are prepared for the same reporting period as the Group or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the impairment loss of investment in associates in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value.

Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Financial Instruments

Initial Recognition and subsequent measurement

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

Business model assessment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Initial Recognition and subsequent measurement (continued)

Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

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

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

Recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of statement of income.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Initial Recognition and subsequent measurement (continued)

Debt instruments at amortised cost

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

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

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

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

Cash and cash equivalents

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

Short- and long-term deposits

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

Equity instruments at FVOCI

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

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

Debt instruments at FVOCI

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

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

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

Financial assets at FVTPL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Initial Recognition and subsequent measurement (continued)

Financial assets at FVTPL (continued)

Changes in fair values and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established. Included in this classification are certain equity securities that have been acquired principally for the purpose of selling or repurchasing in the near term and certain debt instruments that failed the SPPI test.

Derecognition

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

- ▶ the rights to receive cash flows from the asset have expired.
- ▶ the Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Impairment of financial assets

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

The measurement of ECL reflects:

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

Expected credit losses are recognized in two stages, 12-month expected credit losses and Lifetime expected credit losses.

The Group measures 12-month expected credit losses in following cases:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Credit impaired financial assets:

At each reporting date, the Group assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit impaired. The Group considers a financial asset to be in default (credit impaired) when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. It is the Group's policy to measure such instruments on a 12-month ECL (12m ECL) basis.

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

Recognition of ECL

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

Presentation of loss allowances in the consolidated statement of financial position:

Loss allowances for expected credit losses are presented as follows:

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

Write offs

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

Offsetting of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalent and term deposits

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

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

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, the transfer to statutory reserve, until the reserve reaches 50% of share capital should be excluded from profit for the year when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, incomes from associates and cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

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

Foreign currencies

Transactions and balances

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Cash dividends to equity holders of the Parent Company

The Parent Company recognises a liability to make cash distributions to equity holders of the Parent Company when the distribution is authorised and it is no longer at the discretion of the Parent Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Other income

Interest income

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

Dividend income

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

Rental income

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

Net realised gains and losses

Net realised gains and losses recorded in the consolidated statement of income include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Segment reporting

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares consist of the Group's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method.

Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account.

When the treasury shares are reissued, gains are credited to a separate account in equity (Treasury shares reserve) which is not distributable.

Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves.

Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares.

The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements.

They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting period.

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

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts

i. PAA Eligibility Assessment

The Group has calculated a Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for those groups of insurance contracts written and reinsurance contracts held respectively where the coverage period was more than one year. This testing has been performed on following insurance and corresponding reinsurance contracts:

- Non-life
- Life and medical insurance
- Reinsurance operations

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

Situations, which may cause the LRC and / or ARC under the PAA to differ from the LRC and / or ARC under the GMM:

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

Upon analysis of the possible differences between LRC and / or ARC applying the PAA and GMM approach, respectively, the Group noted no material differences for contracts with coverage period of more than one year.

Hence, the Group reported all contracts using the PAA approach maintaining a consistent accounting treatment to the rest of the portfolio of insurance contracts issued and reinsurance contracts held that have a coverage period of up to one year.

The Group assesses materiality at each respective group of contracts level and at an aggregate insurance contract liabilities / re-insurance contract assets level using pre-determined quantitative threshold for differences at the group of contracts, subsequently upon indication of material change the group reassess the eligibility.

ii. Liability for remaining coverage

Acquisition cash flows

For insurance acquisition cash flows, the Group is eligible and chooses to recognize the payments as an expense immediately (coverage period of a year or less).

The effect of recognizing insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss.

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

Significant financing component

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

ii. Liability for remaining coverage (continued)

Expected premium receipts adjustment

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

iii. Liability for incurred claims

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

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

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

iv. Onerosity determination

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

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

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

v. Expense attribution

The Group identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling /maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

v. Expense attribution (continued)

Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the consolidated statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. The Group has determined costs directly identified to the groups of contracts, as well as costs where a judgement is applied to determine the share of expenses as applicable to that group.

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

vi. Estimates of future cash flows

The Group primarily uses deterministic projections to estimate the present value of future cash flows and for some groups it uses stochastic modelling techniques. A stochastic model is a tool for estimating probability distributions of potential outcomes by allowing for random variation in one or more inputs over time. The random variation is usually based on fluctuations observed in historical data for a selected period using standard time-series techniques.

vii. Risk adjustments

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

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

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

Derivation of the risk adjustment

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

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

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

viii. Sensitivities on major assumptions considered while applying IFRS 17

The sensitivity analysis is done to evaluate the impact on gross and net liabilities, profit / loss before tax and equity for reasonably possible movements in key assumptions.

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

The sensitivity analysis performed during the year and has been presented under Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

ix. Discount rates

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

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

x. Provision for expected credit losses

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

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

xi. Classification of financial assets

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

xii. Fair value of financial instruments

When the fair value of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, they are determined using valuation techniques including the price to book method and the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, lack of marketability, market multiple of price to book value and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Valuation of investment properties

Fair value of investment properties have 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 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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

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:

	2024 KD	2023 KD
Within one year	420,963	493,549
After one year but not more than five years	188,785	237,878
	609,748	731,427

4 INVESTMENT INCOME

	2024 KD	2023 KD
Dividends income	2,059,238	1,524,742
Interest income	11,631,331	9,710,276
Unrealized gain (loss) of financial assets at FVTPL	469,086	(747,909)
Share of results of associates (Note 8)	945,445	2,007,049
Realised gain on sale of financial assets at FVTPL	470,638	178,218
	15,575,738	12,672,376

5 BASIC AND DILUTED EARNINGS PER SHARE

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

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

	2024	2023
Profit for the year attributable to shareholders of Parent Company (KD)	22,652,553	20,027,435
	Shares	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the year	216,699,499	216,696,640
Basic and diluted earnings per share (fils)	104.53 fils	92.42 fils

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

6 CASH AND CASH EQUIVALENTS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Term deposits	216,129,736	170,873,410
Bank balances and cash	8,324,933	6,644,918
	224,454,669	177,518,328
Less: Term deposits with original maturities of more than 3 months	(216,120,963)	(169,337,160)
Cash and cash equivalents	8,333,706	8,181,168

Term deposits amounting to KD 110,000 (31 December 2023: KD 110,000) are pledged as security against letter of credit arising from the subsidiary.

Term deposit of KD 1,000,000 (2023: KD 1,000,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business and life assurance business, to be pledged against regulatory requirements.

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

7 INVESTMENT PROPERTIES

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
As at 1 January	11,834,859	11,816,347
Revaluation gain	8,580	25,740
Foreign currency translation adjustment	6,598	(7,228)
As at 31 December	11,850,037	11,834,859

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

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

The Group has entered operating lease with tenants for its investment properties. The significant assumptions used in the valuation of the local properties are set out below:

	<i>2024</i>	<i>2023</i>
Average rent (per sqm) – KD	768	829
Yield rate	5.4%	5.8%
Vacancy rate	20.2%	13.8%

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 do not have material impact on the consolidated statement of income of the Group.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

8 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	<i>Ownership percentage</i>		<i>Country of</i>	<i>2024</i>	<i>2023</i>
	<i>2024</i>	<i>2023</i>	<i>incorporation</i>	<i>KD</i>	<i>KD</i>
Iraq International Insurance Company S.A (Closed)	37.22%	37.22%	Iraq	512,137	476,714
Al-Watania Insurance Company Y.S.C. (Closed)	22.50%	22.50%	Yemen	177,349	173,314
Burgan Insurance Company S.A.L. (formerly Arab Life Insurance Company S.A.L.)	49.37%	49.37%	Lebanon	524,156	1,476,923
Al-Etihad Cooperative Insurance Company	28.67%	32.36%	Saudi Arabia	21,880,916	23,120,426
				23,094,558	25,247,377

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

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Carrying value as at 1 January	25,247,377	22,614,088
Share of results of associates	945,445	2,007,049
Share of other comprehensive gain	88,491	552,031
Foreign currency translation adjustment	80,703	74,209
Dividends income from investment in associates	(635,606)	-
Capital redemption of shares of associate in subsidiary	(2,631,852)	-
Carrying value as at 31 December	23,094,558	25,247,377

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

Summarised consolidated statement of financial position:

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Assets	137,044,932	152,630,959
Liabilities	(76,240,636)	(94,867,464)
Equity	60,804,296	57,763,495
Carrying amount of the investment	23,094,558	25,247,377

Summarised consolidated statement of income:

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Revenues	107,141,461	80,793,600
Expenses	(102,419,425)	(74,483,094)
Profit for the year	4,722,036	6,310,506
Group's share of results for the year	945,445	2,007,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

9 FINANCIAL INSTRUMENTS

	<i>31 December 2024 KD</i>	<i>31 December 2023 KD</i>
<i>Debt instruments at amortised cost</i>	45,628,678	44,097,711
<i>Financial assets at FVOCI</i>		
Quoted equity securities	11,446,960	8,755,005
Unquoted equity securities	7,213,044	7,227,313
Unquoted managed funds	2,389,835	2,496,406
	21,049,839	18,478,724
<i>Financial assets at FVTPL</i>		
Quoted equity securities	20,264,954	15,232,993
Unquoted equity securities	775,339	1,112,621
Quoted managed funds	618,434	-
Unquoted managed funds	14,069,755	12,994,237
	35,728,482	29,339,851
	102,406,999	91,916,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

10 (ASSETS) AND LIABILITIES - INSURANCE AND REINSURANCE CONTRACT

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

		31 December 2024			31 December 2023		
		Assets	Liabilities	Net	Assets	Liabilities	Net
	Valuation Approach	KD	KD	KD	KD	KD	KD
Insurance contract assets & liabilities							
Non life (Note 11.1)	PAA	(55,560)	175,452,073	175,396,513	(5,339)	140,703,694	140,698,355
Life (Note 11.1)	PAA	-	59,882,711	59,882,711	(24)	59,861,390	59,861,366
Total insurance contract assets & liabilities		(55,560)	235,334,784	235,279,224	(5,363)	200,565,084	200,559,721
Reinsurance contract assets & liabilities							
Non life (Note 11.2)	PAA	48,008,826	(8,657,424)	39,351,402	45,653,056	(5,948,840)	39,704,216
Life (Note 11.2)	PAA	11,428,640	-	11,428,640	11,384,038	-	11,384,038
Total reinsurance contract assets & liabilities		59,437,466	(8,657,424)	50,780,042	57,037,094	(5,948,840)	51,088,254

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

11 INSURANCE AND REINSURANCE CONTRACT (continued)

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

	31 December 2024					31 December 2023				
	<i>Liabilities for remaining coverage (LRC)</i>		<i>Liabilities for incurred claims (LIC)</i>			<i>Liabilities for remaining coverage (LRC)</i>		<i>Liabilities for incurred claims (LIC)</i>		
	<i>Excluding loss component KD</i>	<i>Loss component KD</i>	<i>Estimates of the present value of future cash flows KD</i>	<i>Risk adjustment KD</i>	<i>Total KD</i>	<i>Excluding loss component KD</i>	<i>Loss component KD</i>	<i>Estimates of the present value of future cash flows KD</i>	<i>Risk adjustment KD</i>	<i>Total KD</i>
Opening liabilities	(17,015,049)	-	166,465,352	51,114,781	200,565,084	(5,973,924)	-	154,983,574	28,925,862	177,935,512
Opening assets	(5,141)	-	(166)	(56)	(5,363)	(16,893,189)	-	578,081	172,653	(16,142,455)
Net opening balance	(17,020,190)	-	166,465,186	51,114,725	200,559,721	(22,867,113)	-	155,561,655	29,098,515	161,793,057
ECL from IFRS 9 adoption	-	-	-	-	-	(1,400,000)	-	-	-	(1,400,000)
Net opening balance after IFRS 9	(17,020,190)	-	166,465,186	51,114,725	200,559,721	(24,267,113)	-	155,561,655	29,098,515	160,393,057
Insurance revenue	(132,145,171)	-	-	-	(132,145,171)	(121,419,917)	-	-	-	(121,419,917)
<i>Insurance service expenses</i>	-	-	-	-	-	-	-	-	-	-
Incurred claims	-	-	130,349,962	45,491,765	175,841,727	-	-	110,778,561	33,222,448	144,001,009
Changes relating to liabilities for incurred claims	-	-	(48,579,449)	(34,397,425)	(82,976,874)	-	-	(47,416,555)	(11,234,665)	(58,651,219)
Insurance acquisition costs incurred	12,526,728	-	-	-	12,526,728	16,393,030	-	-	-	16,393,030
Insurance service expenses	12,526,728	-	81,770,513	11,094,340	105,391,581	16,393,030	-	63,362,006	21,987,783	101,742,819
Insurance service result	(119,618,443)	-	81,770,513	11,094,340	(26,753,590)	(105,026,887)	-	63,362,006	21,987,783	(19,677,098)
Effect of movements in exchange rates	-	-	-	-	-	(14,304)	-	82,550	28,427	96,672
Net finance expense from insurance contracts	-	-	2,689,486	-	2,689,486	-	-	2,788,710	-	2,788,710
Total changes in the consolidated statement of income	(119,618,443)	-	84,459,999	11,094,340	(24,064,104)	(105,041,191)	-	66,233,266	22,016,210	(16,791,715)
<i>Cash flows</i>	-	-	-	-	-	-	-	-	-	-
Premiums received	136,625,485	-	-	-	136,625,485	129,029,085	-	-	-	129,029,085
Claims paid	-	-	(65,881,081)	-	(65,881,081)	-	-	(55,329,735)	-	(55,329,735)
Insurance acquisition cash flows	(11,960,797)	-	-	-	(11,960,797)	(16,740,971)	-	-	-	(16,740,971)
Total cash flows	124,664,688	-	(65,881,081)	-	58,783,607	112,288,114	-	(55,329,735)	-	56,958,379
Net closing balance	(11,973,945)	-	185,044,104	62,209,065	235,279,224	(17,020,190)	-	166,465,186	51,114,725	200,559,721
Closing liabilities	(11,515,724)	-	184,855,917	61,994,591	235,334,784	(17,015,049)	-	166,465,352	51,114,781	200,565,084
Closing assets	(458,221)	-	188,187	214,474	(55,560)	(5,141)	-	(166)	(56)	(5,363)
Net closing balance	(11,973,945)	-	185,044,104	62,209,065	235,279,224	(17,020,190)	-	166,465,186	51,114,725	200,559,721

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

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11 INSURANCE AND REINSURANCE CONTRACT (continued)

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

	31 December 2024					31 December 2023				
	Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)			Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)		
	Excluding loss component KD	Loss component KD	Estimates of the present value of future cash flows KD	Risk adjustment KD	Total KD	Excluding loss component KD	Loss component KD	Estimates of the present value of future cash flows KD	Risk adjustment KD	Total KD
Opening liabilities	10,142,497	-	(3,874,528)	(319,129)	5,948,840	21,681,804	-	(90,000)	(8,663)	21,583,141
Opening assets	(985,829)	-	(52,545,171)	(3,506,094)	(57,037,094)	(5,040,606)	-	(49,365,017)	(2,212,277)	(56,617,900)
Net opening balance	9,156,668	-	(56,419,699)	(3,825,223)	(51,088,254)	16,641,198	-	(49,455,017)	(2,220,940)	(35,034,759)
<i>Changes in the consolidated statement of income:</i>										
Allocation of reinsurance premiums	22,658,727	-	-	-	22,658,727	18,197,719	-	-	-	18,197,719
<i>Amounts recoverable from reinsurers</i>										
Incurring claims & other expenses	-	-	(41,782,469)	(575,226)	(42,357,695)	-	-	(35,815,502)	942,272	(34,873,230)
Changes in amounts recoverable on incurred claims	-	-	24,491,903	2,742,521	27,234,424	-	-	18,570,323	(2,545,426)	16,024,897
Total amounts recoverable from reinsurers	-	-	(17,290,566)	2,167,295	(15,123,271)	-	-	(17,245,179)	(1,603,154)	(18,848,333)
Net expense (revenue) from reinsurance	22,658,727	-	(17,290,566)	2,167,295	7,535,456	18,197,719	-	(17,245,179)	(1,603,154)	(650,614)
Net finance (income) from reinsurance contracts	-	-	(1,020,895)	-	(1,020,895)	-	-	(986,349)	-	(986,349)
Effect of movements in exchange rates	-	-	-	-	-	3,745	-	(3,146)	(1,129)	(530)
Total changes in the consolidated statement of income	22,658,727	-	(18,311,461)	2,167,295	6,514,561	18,201,464	-	(18,234,674)	(1,604,283)	(1,637,493)
Cash flows:										
Premiums paid	(21,013,670)	-	-	-	(21,013,670)	(25,685,994)	-	-	-	(25,685,994)
Claims and other recoveries	-	-	14,939,841	-	14,939,841	-	-	11,347,998	-	11,347,998
Directly attributable expenses paid	-	-	(132,520)	-	(132,520)	-	-	(78,006)	-	(78,006)
Total cash flows	(21,013,670)	-	14,807,321	-	(6,206,349)	(25,685,994)	-	11,269,992	-	(14,416,002)
Net closing balance	10,801,725	-	(59,923,839)	(1,657,928)	(50,780,042)	9,156,668	-	(56,419,699)	(3,825,223)	(51,088,254)
Closing liabilities	12,697,041	-	(3,913,350)	(126,267)	8,657,424	10,142,497	-	(3,874,528)	(319,129)	5,948,840
Closing assets	(1,895,316)	-	(56,010,489)	(1,531,661)	(59,437,466)	(985,829)	-	(52,545,171)	(3,506,094)	(57,037,094)
Net closing balance	10,801,725	-	(59,923,839)	(1,657,928)	(50,780,042)	9,156,668	-	(56,419,699)	(3,825,223)	(51,088,254)

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12 OTHER ASSETS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Accrued income	4,629,305	5,814,770
Other debit balances	2,580,702	1,971,575
	<u>7,210,007</u>	<u>7,786,345</u>

13 SHARE CAPITAL

Authorized, issued and fully paid-up share capital consists of 220,500,000 shares (31 December 2023: 220,500,000 shares) of 100 fils each.

14 RESERVES

Statutory reserve

As required by the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

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

Voluntary reserve

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

Special voluntary reserve

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

On 28 April 2024, the Ordinary Annual General Assembly of the shareholders of the Parent Company approved the transfer of an amount of KD 1,000,000 from the profit for the year ended 31 December 2023 to the special voluntary reserve.

On 19 February 2025, 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 2024.

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15 TREASURY SHARES

	<i>2024</i>	<i>2023</i>
Number of shares	3,798,256	3,803,360
Percentage of issued shares (%)	1.72	1.72
Cost (KD)	1,277,216	1,278,932
Market value (KD)	3,380,448	2,320,050

An amount of KD 1,277,216 (31 December 2023: 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 2024 was 769 fils per share (31 December 2023: 579 fils per share).

16 OTHER LIABILITIES

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Accrued employees' bonus, leave balance and end of service benefits	7,103,659	6,347,389
Dividends payable	482,459	544,976
Accrued expenses	27,612	52,221
Board of directors' fees	672,678	598,841
Other payables	13,763,002	10,888,591
KFAS, NLST and Zakat payables	995,841	1,021,049
	23,045,251	19,453,067

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17 SEGMENT INFORMATION

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

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with consolidated statement of income.

The following are the details of these segments:

A) Segment information – consolidated statement of income

Year ended 31 December 2024:	<i>Non-life KD</i>	<i>Life and medical insurance KD</i>	<i>Total Non-life & life KD</i>	<i>Reinsurance operations KD</i>	<i>Investments KD</i>	<i>Total KD</i>
Insurance service result before reinsurance contracts held	12,722,588	3,588,363	16,310,951	10,442,639	-	26,753,590
Reinsurance contracts held	(5,000,946)	148,509	(4,852,437)	(2,683,019)	-	(7,535,456)
Finance expenses from insurance contracts issued	(623,394)	(881,157)	(1,504,551)	(1,184,935)	-	(2,689,486)
Finance income from reinsurance contracts held	293,037	414,203	707,240	313,655	-	1,020,895
Net insurance financial result	<u>7,391,285</u>	<u>3,269,918</u>	<u>10,661,203</u>	<u>6,888,340</u>	<u>-</u>	<u>17,549,543</u>
Investment income	-	-	-	9,222,051	6,353,687	15,575,738
Rental income from investment properties	-	-	-	637,166	-	637,166
Investment property operating expenses	-	-	-	(73,014)	-	(73,014)
Unallocated general and administrative expenses	(2,087,014)	(510,330)	(2,597,344)	(1,238,288)	(685,365)	(4,520,997)
Net other expense	(1,843,141)	(1,135,783)	(2,978,924)	13,466	-	(2,965,458)
Revaluation gain on investment properties	-	-	-	8,580	-	8,580
Foreign exchange difference	-	-	-	(354,810)	-	(354,810)
Profit before contribution to KFAS, NLST, Zakat and Directors' fees	<u>3,461,130</u>	<u>1,623,805</u>	<u>5,084,935</u>	<u>15,103,491</u>	<u>5,668,322</u>	<u>25,856,748</u>

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

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17 SEGMENT INFORMATION (continued)

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

	<i>Non-life KD</i>	<i>Life and medical insurance KD</i>	<i>Total Non-life & life KD</i>	<i>Reinsurance operations KD</i>	<i>Investments KD</i>	<i>Total KD</i>
Year ended 31 December 2023:						
Insurance service result before reinsurance contracts held	10,848,353	7,586,495	18,434,848	1,242,250	-	19,677,098
Reinsurance contracts held	(4,230,922)	(867,557)	(5,098,479)	5,749,093	-	650,614
Finance expenses from insurance contracts issued	(456,263)	(666,521)	(1,122,784)	(1,665,926)	-	(2,788,710)
Finance income from reinsurance contracts held	276,821	171,988	448,809	537,540	-	986,349
	<u>6,437,989</u>	<u>6,224,405</u>	<u>12,662,394</u>	<u>5,862,957</u>	<u>-</u>	<u>18,525,351</u>
Net insurance financial result						
Investment income	-	-	-	6,629,993	6,042,383	12,672,376
Rental income from investment properties	-	-	-	687,107	-	687,107
Investment property operating expenses	-	-	-	(77,909)	-	(77,909)
Unallocated general and administrative expenses	(1,725,878)	(316,651)	(2,042,529)	(960,237)	(349,297)	(3,352,063)
Net other expense	(872,809)	(4,449,842)	(5,322,651)	-	-	(5,322,651)
Revaluation gain on investment properties	-	-	-	25,740	-	25,740
Foreign exchange difference	-	-	-	(482,185)	-	(482,185)
	<u>3,839,302</u>	<u>1,457,912</u>	<u>5,297,214</u>	<u>11,685,466</u>	<u>5,693,086</u>	<u>22,675,766</u>
Profit before contribution to KFAS, NLST, Zakat and Directors' fees						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17 SEGMENT INFORMATION (continued)

B) Segment information – Consolidated statement of financial position

	<i>Non-life risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Reinsurance operations KD</i>	<i>Investment KD</i>	<i>Total KD</i>
31 December 2024					
Assets	41,836,352	12,591,377	231,551,398	145,992,398	431,971,525
Liabilities	59,102,932	67,863,693	139,846,192	224,642	267,037,459
31 December 2023					
Assets	31,525,430	13,251,500	198,821,186	131,062,852	374,660,968
Liabilities	45,139,697	61,691,852	119,134,465	977	225,966,991

18 ARAB WAR RISKS INSURANCE SYNDICATE (AWRIS)

According to the latest advice received from AWRIS, the Group's interest in the undistributed profits of AWRIS amounted to KD 1,392,876, USD 4,513,531 (2023: KD 1,365,911, USD 4,445,601).

19 RELATED PARTY TRANSACTIONS

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

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

	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
31 December 2024					
Written premium	39,420	74,518	1,698,206	14,476	1,826,620
Claims paid	-	47,044	169,149	-	216,193
Dividends income	-	-	-	44,966	44,966
31 December 2023					
Written premium	50,572	67,060	2,264,839	20,179	2,402,650
Claims paid	-	68,515	598,133	94,658	761,306
Dividends income	-	-	-	42,915	42,915

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19 RELATED PARTY TRANSACTIONS (continued)

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

31 December 2024	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premium receivable	86,558	4,681	1,639,945	14,982	1,746,166
Other credit balances	-	6,763	40,498	-	47,261
Financial assets	-	-	-	2,548,165	2,548,165
31 December 2023	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premium receivable	74,208	45,870	1,903,976	8,644	2,032,698
Other credit balances	-	-	15,400	-	15,400
Financial assets	-	-	-	1,785,971	1,785,971

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.

	2024 KD	2023 KD
Salaries and other short-term benefits	1,557,722	1,406,068
Employees' end of service benefits	130,395	124,157
	<u>1,688,117</u>	<u>1,530,225</u>

20 CAPITAL COMMITMENTS AND CONTINGENCIES

- (a) As at 31 December 2024, the Group has future capital commitments with respect to purchase of financial assets amounting to KD 2,260,634 (2023: KD 3,485,701) and has contingent liabilities in respect of letter of credit arising from the subsidiary, granted by a bank amounting to KD 36,912 (2023: KD 39,680), and letter of guarantee granted by a bank to the Parent Company amounting to KD 1,466,376 (2023: KD 1,594,604) from which it is anticipated that no material liabilities will arise.
- (b) The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, The Parent Company's management does not believe that such proceedings (including litigation) will have a material effect on its results and its consolidated statement of financial position.

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21 STATUTORY GUARANTEES

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

- (a) Investments of KD 500,000 (2023: KD 500,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
- (b) Investments of KD 500,000 (2023: 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 6,100,000 (2023: KD 7,345,000) are held in Kuwait.

22 RISK MANAGEMENT

(a) Governance framework

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

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

(b) Regulatory framework

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

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

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

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

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

(c) Capital management objectives, policies and approach

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

Capital management objectives

The capital management objectives are:

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

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22 RISK MANAGEMENT (continued)

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

Capital management objectives (continued)

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

The capital management objectives are:

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

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

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

Capital management policies

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

Capital management approach

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

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

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

(d) Insurance risk

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

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

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

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22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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

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

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

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

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

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

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

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

► **Key assumptions**

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

► **Sensitivities**

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

Claims development table

The following tables show the estimate of cumulative incurred claims for life and non-life segments, including claims notified for each successive accident year at each statement of consolidated financial position date, together with cumulative payments to date.

The cumulative claims estimates, and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

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22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Claims development table (continued)

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

Gross insurance contracts' outstanding claims and IBNR provision as of 31 December 2024:

	<i>2017and Prior KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2020 KD</i>	<i>2021 KD</i>	<i>2022 KD</i>	<i>2023 KD</i>	<i>2024 KD</i>	<i>Total KD</i>
a) <u>Gross incurred claims & IBNR</u>									
At end of accident year	29,513,862	70,421,195	82,877,247	88,063,306	95,643,307	105,554,175	73,604,684	98,162,725	643,840,501
One year later	52,042,422	50,587,888	45,730,700	45,152,289	58,114,346	75,847,593	72,900,471	-	400,375,709
Two years later	58,852,780	57,826,513	55,115,375	48,785,062	68,711,539	81,577,872	-	-	370,869,141
Three years later	58,407,061	63,423,658	57,803,431	57,605,634	70,707,926	-	-	-	307,947,710
Four years later	57,502,901	69,187,995	61,807,291	60,153,396	-	-	-	-	248,651,583
Five years later	57,420,183	71,869,733	61,359,937	-	-	-	-	-	190,649,853
Six years later	59,369,515	71,609,617	-	-	-	-	-	-	130,979,132
Seven years later	58,201,430	-	-	-	-	-	-	-	58,201,430
Eight years later	30,399,561								30,399,561
Current estimate of cumulative claims incurred	70,473,156	71,609,617	61,359,937	60,153,396	70,707,926	81,577,872	72,900,471	98,162,725	586,945,100
b) <u>Less: cumulative payments to date</u>	(54,423,451)	(65,608,178)	(51,045,642)	(41,228,663)	(51,471,855)	(50,397,001)	(32,196,759)	(6,815,719)	(353,187,268)
Liability recognized in the consolidated statement of financial position	16,049,705	6,001,439	10,314,295	18,924,733	19,236,071	31,180,871	40,703,712	91,347,006	233,757,832
Claims payable, risk Adjustment and ULAE and liabilities before 2017									28,199,287
Discounting									(14,703,950)
<u>Total liabilities included in the liability for incurred claims</u>									247,253,169

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Claims development table (continued)

Net insurance contracts' outstanding claims and IBNR provision as of 31 December 2024:

	<i>2017and Prior KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2020 KD</i>	<i>2021 KD</i>	<i>2022 KD</i>	<i>2023 KD</i>	<i>2024 KD</i>	<i>Total KD</i>
a) Net incurred claims									
At end of accident year	20,671,829	49,356,715	59,020,749	59,407,336	64,248,142	59,696,350	64,386,551	90,503,501	467,291,173
One year later	34,877,755	37,587,856	35,198,971	40,093,803	43,991,748	53,296,246	59,625,107	-	304,671,486
Two years later	39,276,621	41,175,313	42,598,064	38,527,289	56,925,018	57,608,295	-	-	276,110,600
Three years later	40,604,023	42,959,334	39,648,539	47,858,042	57,613,063	-	-	-	228,683,001
Four years later	40,224,655	42,914,845	44,284,690	46,154,450	-	-	-	-	173,578,640
Five years later	40,900,588	44,597,725	44,583,116	-	-	-	-	-	130,081,429
Six years later	41,727,957	44,446,979	-	-	-	-	-	-	86,174,936
Seven years later	40,622,012	-	-	-	-	-	-	-	40,622,012
Eight years later	19,317,227								19,317,227
Current estimate of cumulative claims incurred	43,309,253	44,446,979	44,583,116	46,154,450	57,613,063	57,608,295	59,625,107	90,503,501	443,843,764
b) Less: cumulative payments to date	(37,010,169)	(39,334,520)	(36,244,510)	(35,005,806)	(42,289,086)	(36,799,295)	(28,437,564)	(5,540,635)	(260,661,585)
Net Liability recognized in the consolidated statement of financial position	6,299,084	5,112,459	8,338,606	11,148,644	15,323,977	20,809,000	31,187,543	84,962,866	183,182,179
Claims payable, risk Adjustment and ULAE and liabilities before 2018									14,429,229
Discounting									(11,940,006)
Total Net liability included in the liability for incurred claims									185,671,402

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As at 31 December 2024

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Sensitivities on major assumptions considered while applying IFRS 17

The following sensitivity analysis shows the impact on gross and net liabilities, profit / loss for reasonably possible movements in key assumptions with all other assumptions in note 2 held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

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

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

	<i>Changes in assumptions</i>	<i>Impact on gross insurance contract Liabilities KD</i>	<i>Impact on net insurance contract liabilities KD</i>	<i>Impact on profit before KFAS, NLST, Zakat and directors' remuneration KD</i>
2024				
Service expenses increase by	1%	1,381,202	972,204	(972,204)
Service expenses decrease by	1%	(1,381,202)	(972,204)	972,204
Yield curves shift up by	1%	4,602,584	2,619,416	(2,619,416)
Yield curves down up by	1%	(4,698,640)	(2,636,850)	2,636,850
2023				
Service expenses increase by	1%	1,337,863	887,913	(887,913)
Service expenses decrease by	1%	(1,337,863)	(887,913)	887,913
Yield curves shift up by	1%	4,121,819	1,805,603	(1,805,603)
Yield curves down up by	1%	(4,210,972)	(1,771,131)	1,771,131

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22 RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

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

- ▶ Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- ▶ The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. These procedures include the non-concentration of credit risk which is carefully monitored on a regular basis. Financial assets which potentially subject the Group to credit risk consist principally of bank balances, term deposits, financial assets held to maturity and reinsurance related receivables. The Group's bank balances and term deposits are held with high credit quality banks and financial institutions. Financial assets held to maturity are issued by financial institutions with high credit rating. Reinsurance receivables are presented net of allowance for doubtful debts.

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

	31 December 2024				
Exposure credit risk by classifying financial assets according to type of insurance	<i>Non-life insurance KD</i>	<i>Life insurance KD</i>	<i>Reinsurance operations KD</i>	<i>Others KD</i>	<i>Total KD</i>
Debt instrument at amortised cost	11,079,078	12,550,000	21,999,600	-	45,628,678
Insurance contract assets	-	-	55,560	-	55,560
Reinsurance contract assets	30,969,755	11,428,640	17,039,071	-	59,437,466
Other assets excluding prepayments	2,064,930	1,042,095	3,494,215	199,562	6,800,802
Term deposits	11,113,220	45,932,416	158,399,957	675,370	216,120,963
Bank balances	3,044,158	28,071	5,250,880	10,597	8,333,706
Total credit risk exposure	58,271,141	70,981,222	206,239,283	885,529	336,377,175

	31 December 2023				
Exposure credit risk by classifying financial assets according to type of insurance	<i>Non-life insurance KD</i>	<i>Life insurance KD</i>	<i>Reinsurance operations KD</i>	<i>Others KD</i>	<i>Total KD</i>
Debt instrument at amortised cost	9,555,194	12,542,917	21,999,600	-	44,097,711
Insurance contract assets	-	-	5,363	-	5,363
Reinsurance contract assets	23,572,321	11,343,109	22,121,664	-	57,037,094
Other assets excluding prepayments	2,984,430	1,390,810	3,320,567	857	7,696,664
Term deposits	9,485,000	37,117,175	122,109,027	625,958	169,337,160
Bank balances	3,033,783	19,986	5,123,034	4,365	8,181,168
Total credit risk exposure	48,630,728	62,413,997	174,679,255	631,180	286,355,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

22 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 Parent company rating which is relied on 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

	<i>A</i> <i>KD</i>	<i>B</i> <i>KD</i>	<i>Not rated</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 December 2024				
Debt instrument at amortised cost	8,300,000	37,328,678	-	45,628,678
Insurance contract assets	-	55,560	-	55,560
Reinsurance contract assets	47,607,482	11,829,984	-	59,437,466
Other assets excluding prepayments	4,220,099	1,392,875	1,187,828	6,800,802
Term deposits	216,120,963	-	-	216,120,963
Bank balances	8,333,706	-	-	8,333,706
Total credit risk exposure	284,582,250	50,607,097	1,187,828	336,377,175

Exposure credit risk by classifying financial assets according to international credit rating agencies

	<i>A</i> <i>KD</i>	<i>B</i> <i>KD</i>	<i>Not rated</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 December 2023				
Debt instrument at amortised cost	9,087,532	34,999,600	10,579	44,097,711
Insurance contract assets	-	5,363	-	5,363
Reinsurance contract assets	42,715,652	14,321,442	-	57,037,094
Other assets excluding prepayments	2,141,777	-	5,554,887	7,696,664
Term deposits	169,337,160	-	-	169,337,160
Bank balances	8,181,168	-	-	8,181,168
Total credit risk exposure	231,463,289	49,326,405	5,565,466	286,355,160

Unrated assets are classified as follows using internal credit ratings.

	<i>Neither past due nor impaired</i> <i>KD</i>	<i>Past due or impaired</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 December 2024			
Other assets excluding prepayments	1,187,828	-	1,187,828
	1,187,828	-	1,187,828
31 December 2023			
Debt instrument at amortised cost	10,579	-	10,579
Other assets excluding prepayments	5,554,887	-	5,554,887
	5,565,466	-	5,565,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Risk concentration of maximum exposure to credit risk

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

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

	<i>Kuwait KD</i>	<i>GCC and the rest of the Middle East KD</i>	<i>Others KD</i>	<i>Total KD</i>
31 December 2024				
Bank balances and term deposits	184,071,014	1,073,994	39,309,661	224,454,669
Debt instruments at amortised cost	45,628,678	-	-	45,628,678
Insurance contract assets	2,442	16,207	36,911	55,560
Reinsurance contract assets	2,023,641	8,267,479	49,146,346	59,437,466
Other assets	4,407,258	1,592,437	801,107	6,800,802
Maximum exposure to credit risk	<u>236,133,033</u>	<u>10,950,117</u>	<u>89,294,025</u>	<u>336,377,175</u>
	<i>Kuwait KD</i>	<i>GCC and the rest of the Middle East KD</i>	<i>Others KD</i>	<i>Total KD</i>
31 December 2023				
Bank balances and term deposits	145,898,821	217,175	31,402,332	177,518,328
Debt instruments at amortised cost	44,087,132	10,579	-	44,097,711
Insurance contract assets	128	1,486	3,749	5,363
Reinsurance contract assets	2,619,770	11,767,581	42,649,743	57,037,094
Other assets	6,932,128	-	764,536	7,696,664
Maximum exposure to credit risk	<u>199,537,979</u>	<u>11,996,821</u>	<u>74,820,360</u>	<u>286,355,160</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk

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

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available.

The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities.

The liquidity profile of financial liabilities at 31 December was as follows:

<i>31 December 2024</i>	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>More than 12 months KD</i>	<i>Total KD</i>
Financial liabilities				
Insurance contract liabilities	756,042	118,786,359	115,792,383	235,334,784
Reinsurance contract liabilities	29,446	6,460,284	2,167,694	8,657,424
Other liabilities	4,928,288	6,701,801	11,415,161	23,045,250
	<u>5,713,776</u>	<u>131,948,444</u>	<u>129,375,238</u>	<u>267,037,458</u>
 <i>31 December 2023</i>	 <i>Within 3 months KD</i>	 <i>3 to 12 months KD</i>	 <i>More than 12 months KD</i>	 <i>Total KD</i>
Financial liabilities				
Insurance contract liabilities	1,501,853	60,169,446	138,893,785	200,565,084
Reinsurance contract liabilities	46,581	3,797,569	2,104,690	5,948,840
Other liabilities	1,015,766	17,976,369	460,932	19,453,067
	<u>2,564,200</u>	<u>81,943,384</u>	<u>141,459,407</u>	<u>225,966,991</u>

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

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As at 31 December 2024

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

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

<i>31 December 2024</i>	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
Assets				
Cash and cash equivalent	8,333,706	-	-	8,333,706
Term deposits	-	195,270,963	20,850,000	216,120,963
Other assets	455,032	6,754,975	-	7,210,007
Insurance contract assets	8,753	33,938	12,869	55,560
Reinsurance contract assets	1,039,361	9,711,384	48,686,721	59,437,466
Debt instruments at amortised cost	-	3,500,000	42,128,678	45,628,678
Financial assets at fair value through other comprehensive income	-	2,311,780	18,738,059	21,049,839
Financial assets at fair value through profit or loss	-	35,728,482	-	35,728,482
Investment properties	-	-	11,850,037	11,850,037
Investments in associates	-	-	23,094,558	23,094,558
Property and equipment	-	-	3,462,229	3,462,229
Total assets	9,836,852	253,311,522	168,823,151	431,971,525
Liabilities				
Insurance contract liabilities	756,042	118,786,359	115,792,383	235,334,784
Reinsurance contract liabilities	29,446	6,460,284	2,167,694	8,657,424
Other liabilities	4,928,288	6,701,801	11,415,161	23,045,250
Total liabilities	5,713,776	131,948,444	129,375,238	267,037,458
<i>31 December 2023</i>	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
Assets				
Cash and cash equivalent	8,181,168	-	-	8,181,168
Term deposits	-	169,337,160	-	169,337,160
Other assets	195,432	7,529,006	61,907	7,786,345
Insurance contract assets	829	3,008	1,526	5,363
Reinsurance contract assets	11,172,936	25,229,251	20,634,907	57,037,094
Debt instruments at amortised cost	-	399,600	43,698,111	44,097,711
Financial assets at fair value through other comprehensive income	18,478,724	-	-	18,478,724
Financial assets at fair value through profit or loss	29,339,851	-	-	29,339,851
Investment properties	-	-	11,834,859	11,834,859
Investments in associates	-	-	25,247,377	25,247,377
Property and equipment	-	-	3,315,316	3,315,316
Total assets	67,368,940	202,498,025	104,794,003	374,660,968
Liabilities				
Insurance contract liabilities	1,501,853	60,169,446	138,893,785	200,565,084
Reinsurance contract liabilities	46,581	3,797,569	2,104,690	5,948,840
Other liabilities	1,015,766	17,976,369	460,932	19,453,067
Total liabilities	2,564,200	81,943,384	141,459,407	225,966,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

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

	Change in Variables %	2024		2023	
		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	961,966	1,612,481	920,981	1,245,885
JD	±5	4,388	60,961	-	60,695
EGP	±5	18,864	-	-	-
Euro	±5	348,655	-	260,508	-
GBP	±5	208	-	82,130	-
Others	±5	351,652	840,349	-	71,008

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is not exposed to significant interest rate risk as majority of its interest-bearing assets and liabilities are stated at fixed interest rates.

(iii) Equity price risk

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

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

Market indices		2024 KD	2023 KD
Kuwait	±	620,314	1,381,072
Other GCC countries	±	109,755	87,632

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

Market indices		2024 KD	2023 KD
Kuwait	±	1,487,569	603,532

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22 RISK MANAGEMENT (continued)

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected.

The Group is not significantly exposed to prepayment risk.

23 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issues new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Group includes within net debt, liabilities arising from insurance contracts and payables less term deposits and bank balances and cash. Capital includes equity of the Group.

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Insurance contracts liabilities	235,334,784	200,565,084
Reinsurance contracts liabilities	8,657,424	5,948,840
Less:		
Term deposits	(216,120,963)	(169,337,160)
Bank balances and cash	(8,333,706)	(8,181,168)
Net debt	19,537,539	28,995,596
Total capital	164,934,066	148,693,977
Total capital and net debt	184,471,605	177,689,573
Gearing ratio	11%	16%

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	<i>Fair value measurement using</i>		
	<i>Quoted prices in</i>	<i>Significant</i>	
	<i>active markets</i>	<i>unobservable</i>	
	<i>(Level 1)</i>	<i>inputs</i>	
	<i>KD</i>	<i>(Level 3)</i>	<i>Total</i>
		<i>KD</i>	<i>KD</i>
31 December 2024			
<i>Investments carried at fair value through other comprehensive income:</i>			
Quoted equity securities	11,446,960	-	11,446,960
Unquoted equity securities	-	7,213,044	7,213,044
Unquoted managed funds	-	2,389,835	2,389,835
Total	11,446,960	9,602,879	21,049,839
<i>Investments carried at fair value through profit or loss:</i>			
Quoted equity securities	20,264,954	-	20,264,954
Unquoted equity securities	-	775,339	775,339
Quoted managed funds	618,434	-	618,434
Unquoted managed funds	-	14,069,755	14,069,755
Total	20,883,388	14,845,094	35,728,482

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

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Price to book value	Discount for lack of marketability (DLOM) 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 discount for lack of marketability & lack of control would result in (decrease) or increase in fair value by KD 721 thousand.
Unquoted equity securities	Price to book value		10%	An increase or (decrease) by 10% i the price to book multiple would result in increase or (decrease) in fair value by KD 721 thousand.
Unquoted managed funds	Adjusted net assets value	Discount for lack of marketability	10%	An increase or (decrease) by 10% in the discount for lack of marketability would result in (decrease) increase in fair value by KD 238 thousand.

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

	<i>As at 1 January 2024 KD</i>	<i>Change recorded in the consolidated statement of comprehensive income KD</i>	<i>Net result recorded in the consolidated statement of income KD</i>	<i>Net purchases / Settlements KD</i>	<i>As at 31 December 2024 KD</i>
Investments carried at fair value through other comprehensive income:					
Unquoted equity securities	7,227,313	(13,095)	-	(1,174)	7,213,044
Unquoted managed funds	2,496,406	(106,571)	-	-	2,389,835
	<u>9,723,719</u>	<u>(119,666)</u>	<u>-</u>	<u>(1,174)</u>	<u>9,602,879</u>
Investments carried at fair value through profit or loss:					
Unquoted equity securities	1,112,621	-	(334,494)	(2,788)	775,339
Unquoted managed funds	12,994,237	-	(887,371)	1,962,889	14,069,755
	<u>14,106,858</u>	<u>-</u>	<u>(1,221,865)</u>	<u>1,960,101</u>	<u>14,845,094</u>

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	As at 1 January 2023 KD	Transferred on transition of IFRS 9 KD	Change recorded in the consolidated statement of comprehensive income KD	Net result recorded in the consolidated statement of income KD	Net purchases and disposals KD	As at 31 December 2023 KD
<i>Investments carried at fair value through other comprehensive income:</i>						
Unquoted equity securities	-	14,195,445	(6,962,563)	-	(5,569)	7,227,313
Unquoted managed funds	-	2,481,037	45,056	-	(29,687)	2,496,406
	<u>-</u>	<u>16,676,482</u>	<u>(6,917,507)</u>	<u>-</u>	<u>(35,256)</u>	<u>9,723,719</u>

Investments carried at fair value through profit or loss:

Unquoted equity securities	1,118,612	-	-	-	(5,991)	1,112,621
Unquoted managed funds	-	11,999,628	-	178,696	815,913	12,994,237
	<u>1,118,612</u>	<u>11,999,628</u>	<u>-</u>	<u>178,696</u>	<u>809,922</u>	<u>14,106,858</u>

25 DIVIDENDS, BONUS SHARES, AND DIRECTOR'S REMMUNERATION

Cash dividend and bonus shares

On 19 February 2025, the Parent Company's board of directors recommended cash dividends of 14%, with a total amount of KD 3,087,000, and recommend 15,500,000 bonus shares with a total amount of KD 1,550,000, The Board of Directors also recommend in-kind distributions of 4% of Al-Ahleia Insurance Company's share in Kuwait Reinsurance Company, the subsidiary, to the shareholders of Al-Ahleia Company at a rate of 4 share for every 100 shares, after the approval of the Boursa Kuwait Securities Company and the regulatory authorities.

The Annual General Assembly meeting of the shareholders of the Parent Company held on 28 April 2024 approved the consolidated financial statements for the year ended 31 December 2023 and approved the cash dividends of 30%, with a total amount of KD 6,500,899 and in-kind distributions of 5% of the Parent Company's share in Kuwait Reinsurance Company, the subsidiary, to the shareholders of the Parent Company at a rate of one share for every 20 shares. This has been approved by Boursa Kuwait Securities Company and the regulatory authorities.