

**WARBA INSURANCE AND
REINSURANCE COMPANY K.S.C.P.
AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024



**Shape the future
with confidence**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE AND REINSURANCE COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Warba Insurance and Reinsurance Company K.S.C.P. (the “Parent Company”) and its subsidiary (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 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 policy information.

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’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond 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 WARBA INSURANCE AND REINSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Insurance contract liabilities

Insurance contract liabilities include: Liability for Remaining coverage (LFRC) and Liability for incurred claims (LIC). These insurance contract liabilities amount to KD 36,675,698 are significant to the Group's consolidated financial statements as at 31 December 2024, as reported in Note 3 to the consolidated financial statements.

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

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

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

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

Refer to Note 2 for the accounting 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 3 for the movement in insurance contract liabilities.

Our procedures, among others, included the following:

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA
INSURANCE AND REINSURANCE COMPANY K.S.C.P. (continued)**

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Insurance contract Liabilities (continued)

- Involved our internal actuarial specialists to assess the Group's methods and assumptions and evaluate the Group's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following:
 - i. Evaluated whether the Group's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years.
 - ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims.; and
 - iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.
- Further, we assessed the adequacy of the related disclosures given in Note 3 to the consolidated financial statements.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Shape the future
with confidence

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE AND REINSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.



Shape the future
with confidence

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE AND REINSURANCE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

- ▶ 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.

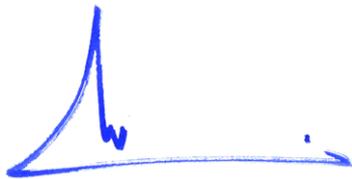
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or 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 WARBA
INSURANCE AND REINSURANCE COMPANY K.S.C.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, 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 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 material violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority "CMA" and organisation 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.



BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

19 February 2025
Kuwait

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 KD	2023 KD
Revenue:			
Insurance revenue	3	42,916,380	43,189,794
Insurance service expenses	3	(19,647,917)	(20,676,008)
Insurance service result before reinsurance contracts held		23,268,463	22,513,786
Amounts recoverable from reinsurers for incurred claims	3	(15,550)	2,641,665
Allocation of reinsurance premiums	3	(18,013,473)	(16,211,695)
Net expense from reinsurance contracts held		(18,029,023)	(13,570,030)
Insurance service result		5,239,440	8,943,756
Finance expenses from insurance contracts issued	3	(704,322)	(1,071,674)
Finance income (expenses) from reinsurance contracts held	3	378,993	(618,633)
Net insurance financial result		4,914,111	7,253,449
Net investment income	4	2,728,992	2,478,087
Unallocated general and administrative expenses		(2,128,035)	(2,689,116)
Other income		410,033	278,235
Total income		1,010,990	67,206
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT			
		5,925,101	7,320,655
Contribution to KFAS		(53,310)	(69,868)
NLST		(151,253)	(98,107)
ZAKAT		(53,622)	(37,558)
NET PROFIT FOR THE YEAR		5,666,916	7,115,122
Attributable to:			
Equity holders of the Parent Company		5,620,497	7,090,281
Non-controlling interests		46,419	24,841
PROFIT FOR THE YEAR		5,666,916	7,115,122
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
	5	23.29 Fils	29.47 Fils

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 KD	2023 KD
Profit for the year		<u>5,666,916</u>	<u>7,115,122</u>
Other comprehensive income:			
<i>Items that are or may be subsequently reclassified to consolidated statement of income:</i>			
Share of other comprehensive income from associates	7	<u>8,199</u>	<u>5,285</u>
		8,199	5,285
<i>Items that will not subsequently be reclassified to consolidated statement of income (loss):</i>			
Change in fair value of financial assets at FVOCI		<u>3,642,999</u>	<u>(637,832)</u>
		3,642,999	(637,832)
Other comprehensive income (loss) for the year		<u>3,651,198</u>	<u>(632,547)</u>
Total comprehensive income for the year		<u><u>9,318,114</u></u>	<u><u>6,482,575</u></u>
Attributable to:			
Equity holders of the Parent Company		<u>9,271,695</u>	<u>6,457,734</u>
Non-controlling interests		<u>46,419</u>	<u>24,841</u>
		<u><u>9,318,114</u></u>	<u><u>6,482,575</u></u>

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	31 December 2024 KD	31 December 2023 KD
ASSETS			
Cash and cash equivalent	11	5,958,187	5,374,525
Term deposits	10	10,592,237	6,975,000
Financial assets at fair value through other comprehensive income	8	29,915,735	26,072,733
Financial assets at fair value through profit or loss	8	27,463,542	20,238,608
Reinsurance contract assets	3	18,539,292	21,590,441
Other assets	9	1,055,485	996,660
Investments in associates	7	3,827,378	3,687,314
Property and equipment	6	6,751,549	7,170,580
TOTAL ASSETS		104,103,405	92,105,861
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance contract liabilities	3	36,675,698	39,347,212
Term loans		4,000,000	4,000,000
Other liabilities	15	20,135,781	12,470,653
Total liabilities		60,811,479	55,817,865
Equity			
Share capital	12	25,000,000	25,000,000
Statutory reserve	13	5,145,049	4,552,539
General reserve		132,367	132,367
Treasury shares	14	(686,385)	(1,210,017)
Treasury shares reserve		218,607	212,222
Cumulative changes in fair value reserve		7,071,156	3,419,958
Retained earnings		6,407,116	4,223,330
Equity attributable to the equity holders of the Parent Company		43,287,910	36,330,399
Non-controlling interests		4,016	(42,403)
Total equity		43,291,926	36,287,996
TOTAL LIABILITIES AND EQUITY		104,103,405	92,105,861

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarrah Sabah Al-Sabah
Vice Chairman



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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital KD	Statutory reserve KD	General reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair values reserve KD	Retained earnings KD	Subtotal KD	Non- controlling interests KD	Total equity KD
Balance as at 1 January 2024	25,000,000	4,552,539	132,367	-	(1,210,017)	212,222	3,419,958	4,223,330	36,330,399	(42,403)	36,287,996
Profit for the year	-	-	-	-	-	-	-	5,620,497	5,620,497	46,419	5,666,916
Other comprehensive income	-	-	-	-	-	-	3,651,198	-	3,651,198	-	3,651,198
Total comprehensive income for the year	-	-	-	-	-	-	3,651,198	5,620,497	9,271,695	46,419	9,318,114
Transfer to statutory reserve	-	592,510	-	-	-	-	-	(592,510)	-	-	-
Cash dividends (Note 12)	-	-	-	-	-	-	-	(2,380,118)	(2,380,118)	-	(2,380,118)
Bonus dividends (Note 12)	-	-	-	-	476,297	(12,214)	-	(464,083)	-	-	-
Movement in treasury shares	-	-	-	-	47,335	18,599	-	-	65,934	-	65,934
Balance as at 31 December 2024	25,000,000	5,145,049	132,367	-	(686,385)	218,607	7,071,156	6,407,116	43,287,910	4,016	43,291,926
Balance as at 1 January 2023 (Restated)	17,710,846	8,781,109	4,000,000	764,895	(1,122,737)	223,066	4,049,271	(3,072,105)	31,334,345	(67,244)	31,267,101
Profit for the year	-	-	-	-	-	-	-	7,090,281	7,090,281	24,841	7,115,122
Other comprehensive loss	-	-	-	-	-	-	(632,547)	-	(632,547)	-	(632,547)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(632,547)	7,090,281	6,457,734	24,841	6,482,575
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	3,234	(3,234)	-	-	-
Issuance of bonus shares (Note 12)	7,289,154	-	(3,867,633)	(764,895)	-	-	-	(2,656,626)	-	-	-
Transfer to statutory reserve	-	732,066	-	-	-	-	-	(732,066)	-	-	-
Extinguish of accumulated deficit (Note 13)	-	(4,960,636)	-	-	-	-	-	4,960,636	-	-	-
Cash dividends (Note 12)	-	-	-	-	-	-	-	(1,363,556)	(1,363,556)	-	(1,363,556)
Movement in treasury shares	-	-	-	-	(87,280)	(10,844)	-	-	(98,124)	-	(98,124)
Balance as at 31 December 2023	25,000,000	4,552,539	132,367	-	(1,210,017)	212,222	3,419,958	4,223,330	36,330,399	(42,403)	36,287,996

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	<i>Notes</i>	2024 KD	2023 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, and Zakat		5,925,101	7,320,655
<i>Adjustments for:</i>			
Depreciation of property and equipment	6	250,787	231,859
Net investment income	4	(3,440,404)	(3,100,079)
Provision of employees' end if service benefits		222,389	222,997
		2,957,873	4,675,432
<i>Changes in operating assets and liabilities:</i>			
Other assets		301,193	303,079
Reinsurance contract assets		3,051,149	2,505,941
Insurance contract liabilities		(2,671,514)	(2,248,910)
Other liabilities		7,350,889	1,509,020
Cash flows from operations		10,989,589	6,744,562
Employees' end if service benefits paid		(123,324)	(224,988)
Contribution to NLST & Zakat paid		(119,464)	(137,881)
Net cash flows from operating activities		10,746,801	6,381,693
INVESTING ACTIVITIES			
Movement in term deposits		(3,617,237)	(168,225)
Net movement of treasury shares		65,934	(98,124)
Purchase of investment assets		(10,591,133)	(10,543,514)
Proceed from sale of investment assets		3,806,460	2,355,827
Purchase of property and equipment	6	(32,365)	(97,469)
Proceed from disposal of property and equipment		200,609	-
Investment income received		2,308,257	2,019,912
Net cash flows used in investing activities		(7,859,475)	(6,531,593)
FINANCING ACTIVITIES			
Cash dividends paid		(2,303,664)	(1,328,823)
Net cash flows used in financing activities		(2,303,664)	(1,328,823)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		5,374,525	6,853,248
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	11	5,958,187	5,374,525

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

1 CORPORATE INFORMATION

The consolidated financial statement of Warba Insurance and Reinsurance Company K.S.C.P. (the “Parent Company”) and its subsidiary – WAPMED TPA Services Company K.S.C.C. (collectively “the Group”) for the year ended 31 December 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 subsidiary of Bu-Khamseen Holding Company (the “Ultimate Parent Company”).

The objectives of the Parent Company are to underwrite life and non- life insurance risks such as fire, general accidents, marine and aviation and others; lend funds which resulted from issuance of insurance policies and to invest in permitted securities.

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the Parent Company’s Articles of Association. The Parent Company’s registered head office address is at P. O. Box 24282, Safat 13103, Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved by the shareholders of the Parent Company at the Annual General Assembly meeting (“AGM”) held on 7 April 2024.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

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 a historical cost convention except for the measurement at fair value of investments carried at fair value through profit or loss, investments at fair value through other comprehensive income.

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.

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on the reported results of operations, net profit and equity.

2.2 BASIS OF CONSOLIDATION

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

	Incorporation country	Activity	Ownership (%) 31 December 2024	Ownership (%) 31 December 2023
WAPMED TPA Services Company K.S.C. (Closed)	Kuwait	Administrative services to insurance companies.	82.57	82.57

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

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

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

2.3.1 New and amended accounting policies, standards and interpretations

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied the following amendments effective from 1 January 2024:

- 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's consolidated financial statements at 31 December 2024.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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. The Group is currently not intending to early adopt the Amendments

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.

2.4.3 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 the primary financial statements and notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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 Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION

Business combinations and goodwill

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

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

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

Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent measurement takes place at fair value with changes in fair value recognised in the consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts

Definition and classification

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

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

Unit of account

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Recognition

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

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

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

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

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

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

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

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

Contract modification and derecognition

An insurance contract is derecognized when it is:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Contract modification and derecognition (continued)

When an insurance contract not accounted for under the PAA is derecognized from within a Group of insurance contracts, the group:

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

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

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

Fulfilment cash flows

Fulfilment cash flows within contract boundary

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

The estimates of future cash flows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Fulfilment cash flows within contract boundary (continued)

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

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

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

Contract boundary

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

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

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

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

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

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

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

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

Measurement Model Application

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Measurement Model Application (continued)

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

Initial measurement – Groups of contracts not measured under the PAA -contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a Group of insurance contracts issued representing the unearned profit that the Group will recognize as it provides coverage in the future.

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

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

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

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

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

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

No contracts acquired were assessed as onerous at initial recognition.

Subsequent measurement – Groups of contracts not measured under the PAA

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Changes in fulfilment cash flows

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

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

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

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

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

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

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

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

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

Changes to the contractual service margin

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Interest accretion on the CSM

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

Adjusting the CSM for changes in the FCF relating to future service

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

Release of the CSM to consolidated statement of income

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

**2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Onerous contracts – Loss component on GMM

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

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

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

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

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

Initial and subsequent measurement – Groups of contracts measured under the PAA

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

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

Onerous contracts – Loss component on PAA

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

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

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

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

Insurance acquisition costs

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

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

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

Risk adjustment for non-financial risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

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

Insurance revenue

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

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

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

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

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

Insurance service expenses

Insurance service expenses include the following:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Insurance Contracts (continued)

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

Net income (expenses) from reinsurance contracts held

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

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

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

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

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

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

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

Insurance finance income or expenses

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

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

Zakat

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

Initial Recognition and subsequent measurement (continued)

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

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

Measurement categories of financial assets and liabilities

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

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

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

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

Debt instruments at amortised cost

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

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

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

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

Cash and cash equivalents

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

Short- and long-term deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial Instruments (continued)

Initial Recognition and subsequent measurement (continued)

Equity instruments at FVOCI

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

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

Debt instruments at FVOCI

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

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

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

Financial assets at FVTPL

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

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

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

Derecognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition (continued)

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.

Impairment of financial assets

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

The measurement of ECL reflects:

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

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

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

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

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

Credit impaired financial assets:

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

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

Recognition of ECL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of financial assets (continued)

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

Loss allowances for expected credit losses are presented as follows:

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

The calculation of ECLs

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

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.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings and payables. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Subsequent measurement

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

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition

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

Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarised in the following notes:

a) Disclosures for significant assumptions

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses are recognised in the consolidated statement of income.

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

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

Goodwill

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property and equipment

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

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

- ▶ Buildings 35 years
- ▶ Furniture and equipment 5 years
- ▶ Computers and software 5 to 8 years

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

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

Projects under progress are stated at cost less impairment losses, if any, until projects are complete. Projects under progress includes costs for long-term projects if the recognition criteria are met. Upon the completion of projects, the costs of such asset together with the cost directly attributable to projects are transferred to the respective class of asset. No depreciation is charged on projects under progress.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee and which is neither a subsidiary nor a joint venture.

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

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of the associates is presented as part of the other comprehensive income of the Group. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The aggregate of the Group's share of result of an associate is included in the consolidated statement of income.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the impairment loss of investment in associates in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investment in associates (continued)

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.

Fair value measurement

The Group measures financial instruments such as available for sale investments, financial assets through profit or loss, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.
- ▶ The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets, liabilities and equity items for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Foreign currencies

Transactions and balances

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies (continued)

Transactions and balances (continued)

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of income are also recognised in other comprehensive income or consolidated statement of income, respectively).

Cash dividend to equity holders of the Parent Company

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

Provisions

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

Revenue recognition

Interest income

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

Dividend income

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

Net realised gains and losses

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

Finance cost

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

Segment reporting

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

Employees' end of service benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employees' end of service benefits (continued)

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

Treasury shares

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

Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Insurance and reinsurance contracts

i. PAA Eligibility Assessment

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

- Engineering
- General Accident
- Motor
- Individual Life

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

i. PAA Eligibility Assessment (continued)

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

ii. Liability for remaining coverage

Acquisition cash flows

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

iv. Onerosity determination

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

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

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

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

v. Expense attribution

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

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

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

vi. Estimates of future cash flows

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

The following assumptions were used when estimating future cash flows:

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

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

➤ **Longevity (immediate annuity business)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

vi. Estimates of future cash flows (continued)

➤ **Expenses**

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the expected level of expenses will reduce future expected profits of the Group. The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. (Such overheads are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics).

➤ **Lapse and surrender rates**

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits of the Group, but later increases are broadly neutral in effect.

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

Portfolio assumptions by type of business impacting net liabilities	Mortality and morbidity rates		Lapse and surrender rates	
	2024	2023	2024	2023
Life insurance contracts issued				
- Males	100% as per reinsurer	100% as per reinsurer	3%	3%
- Females				
Life reinsurance contracts issued				
- Males	100% as per reinsurer	100% as per reinsurer	3%	3%
- Females				

vii. Discount rates

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

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

viii. Risk adjustments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

viii. Risk adjustments (continued)

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

Derivation of the risk adjustment

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

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

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

ix. Sensitivities on major assumptions

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

x. Provision for expected credit losses

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

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

xi. Classification of financial assets

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

Fair value of financial instruments

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

3 INSURANCE AND REINSURANCE CONTRACTS

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

	Valuation Approach	31 December 2024			31 December 2023		
		Assets KD	Liabilities KD	Net KD	Assets KD	Liabilities KD	Net KD
Insurance contract assets & liabilities							
Medical	PAA	-	(11,427,444)	(11,427,444)	-	(9,933,279)	(9,933,279)
Group life	PAA	-	(4,711,638)	(4,711,638)	-	(6,157,424)	(6,157,424)
Motor	PAA	-	(9,176,633)	(9,176,633)	-	(8,682,784)	(8,682,784)
Marine & aviation	PAA	-	(819,719)	(819,719)	-	(1,064,257)	(1,064,257)
Fire	PAA	-	(3,298,405)	(3,298,405)	-	(4,590,798)	(4,590,798)
General accident	PAA	-	(5,691,633)	(5,691,633)	-	(7,257,809)	(7,257,809)
Total – PAA (Note 3.1)		-	(35,125,472)	(35,125,472)	-	(37,686,351)	(37,686,351)
Individual life	GMM	-	(1,550,226)	(1,550,226)	-	(1,660,861)	(1,660,861)
Total – GMM (Note 3.2)		-	(1,550,226)	(1,550,226)	-	(1,660,861)	(1,660,861)
Total insurance contract assets & liabilities		-	(36,675,698)	(36,675,698)	-	(39,347,212)	(39,347,212)
Reinsurance contract assets & liabilities							
Medical	PAA	3,352,175	-	3,352,175	2,286,295	-	2,286,295
Group life	PAA	3,282,232	-	3,282,232	4,238,776	-	4,238,776
Motor	PAA	966,325	-	966,325	1,529,840	-	1,529,840
Marine & aviation	PAA	844,928	-	844,928	1,027,519	-	1,027,519
Fire	PAA	4,932,790	-	4,932,790	3,950,977	-	3,950,977
General accident	PAA	5,128,136	-	5,128,136	8,543,554	-	8,543,554
Total – PAA (Note 3.3)		18,506,586	-	18,506,586	21,576,961	-	21,576,961
Individual life	GMM	32,706	-	32,706	13,480	-	13,480
Total – GMM		32,706	-	32,706	13,480	-	13,480
Total reinsurance contract assets & liabilities		18,539,292	-	18,539,292	21,590,441	-	21,590,441

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

	31 December 2024					31 December 2023				
	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)			Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		
	Excluding loss component KD	Loss component KD	Estimates of the present value of future cash flows KD	Risk adjustment KD	Total KD	Excluding loss component KD	Loss component KD	Estimates of the present value of future cash flows KD	Risk adjustment KD	Total KD
Opening Liabilities	(9,694,705)	-	(27,455,594)	(536,052)	(37,686,351)	(4,083,280)	-	(29,594,460)	(522,334)	(34,200,074)
Opening assets	-	-	-	-	-	-	-	-	-	-
Net opening balance	(9,694,705)	-	(27,455,594)	(536,052)	(37,686,351)	(4,083,280)	-	(29,594,460)	(522,334)	(34,200,074)
ECL impact	-	-	-	-	-	(5,838,727)	-	-	-	(5,838,727)
Net opening balance – after IFRS 9 adoption	-	-	-	-	-	(9,922,007)	-	(29,594,460)	(522,334)	(40,038,801)
Insurance revenue	42,597,793	-	-	-	42,597,793	42,880,685	-	-	-	42,880,685
<i>Insurance service expenses</i>										
Incurred benefits and expenses	-	-	(13,834,913)	(264,378)	(14,099,291)	-	-	(10,404,609)	(91,180)	(10,495,789)
Changes that relate to past service - adjustments to LIC	-	-	(3,736,323)	283,386	(3,452,937)	-	-	(8,103,843)	77,462	(8,026,381)
Amortisation of insurance acquisition cash flows	(1,858,465)	-	-	-	(1,858,465)	(1,832,323)	-	-	-	(1,832,323)
Insurance service expenses	(1,858,465)	-	(17,571,236)	19,008	(19,410,693)	(1,832,323)	-	(18,508,452)	(13,718)	(20,354,493)
Insurance service result	40,739,328	-	(17,571,236)	19,008	23,187,100	41,048,362	-	(18,508,452)	(13,718)	22,526,192
Net finance income from insurance contracts	-	-	(634,333)	-	(634,333)	-	-	(938,343)	-	(938,343)
Total changes in the consolidated statement of income	40,739,328	-	(18,205,569)	19,008	22,552,767	41,048,362	-	(19,446,795)	(13,718)	21,587,849
<i>Cash flows</i>										
Premiums received	(42,268,927)	-	-	-	(42,268,927)	(42,574,005)	-	-	-	(42,574,005)
Claims paid	-	-	16,490,400	-	16,490,400	-	-	17,905,731	-	17,905,731
Directly attributable non- acquisition expenses paid	-	-	3,735,084	-	3,735,084	-	-	3,679,930	-	3,679,930
Insurance acquisition cash flows	2,051,555	-	-	-	2,051,555	1,752,945	-	-	-	1,752,945
Total cash flows	(40,217,372)	-	20,225,484	-	(19,991,888)	(40,821,060)	-	21,585,661	-	(19,235,399)
Net closing balance	(9,172,749)	-	(25,435,679)	(517,044)	(35,125,472)	(9,694,705)	-	(27,455,594)	(536,052)	(37,686,351)
Closing liabilities	(9,172,749)	-	(25,435,679)	(517,044)	(35,125,472)	(9,694,705)	-	(27,455,594)	(536,052)	(37,686,351)
Closing assets	-	-	-	-	-	-	-	-	-	-
Net closing balance	(9,172,749)	-	(25,435,679)	(517,044)	(35,125,472)	(9,694,705)	-	(27,455,594)	(536,052)	(37,686,351)

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

	31 December 2024					31 December 2023				
	LRC		LIC			LRC		LIC		
	Excluding loss component KD	Loss component KD	Estimates of the present value of future cash flows KD	Risk adjustment KD	Total KD	Excluding loss component KD	Loss component KD	Estimates of the present value of future cash flows KD	Risk adjustment KD	Total KD
Opening liabilities	(1,541,967)	(80,396)	(36,784)	(1,714)	(1,660,861)	(1,492,416)	(22,782)	(40,107)	(2,016)	(1,557,321)
Opening assets	-	-	-	-	-	-	-	-	-	-
Net opening balance	(1,541,967)	(80,396)	(36,784)	(1,714)	(1,660,861)	(1,492,416)	(22,782)	(40,107)	(2,016)	(1,557,321)
<i>Insurance revenue:</i>										
Insurance revenue	318,587	-	-	-	318,587	309,109	-	-	-	309,109
<i>Insurance service expenses</i>										
Incurred benefits and expenses	-	-	(323,778)	(11,959)	(335,737)	-	-	(254,338)	(11,804)	(266,142)
Changes that relate to past service - adjustments to LIC	-	-	2,801	10,606	13,407	-	-	-	12,106	12,106
Losses on onerous contracts and reversal of those losses	-	85,106	-	-	85,106	-	(67,479)	-	-	(67,479)
Insurance service expenses	-	85,106	(320,977)	(1,353)	(237,224)	-	(67,479)	(254,338)	302	(321,515)
Insurance service result	318,587	85,106	(320,977)	(1,353)	81,363	309,109	(67,479)	(254,338)	302	(12,406)
Finance expenses from insurance contracts issued	(64,749)	(5,240)	-	-	(69,989)	(143,390)	9,865	194	-	(133,331)
Total changes in the consolidated statement of income	253,838	79,866	(320,977)	(1,353)	11,374	165,719	(57,614)	(254,144)	302	(145,737)
<i>Cash flows:</i>										
Premiums received	(198,506)	-	-	-	(198,506)	(215,270)	-	-	-	(215,270)
Claims paid	-	-	276,356	-	276,356	-	-	238,370	-	238,370
Directly attributable non-acquisition expenses paid	-	-	21,411	-	21,411	-	-	19,097	-	19,097
Net Cash flows	(198,506)	-	297,767	-	99,261	(215,270)	-	257,467	-	42,197
Net closing balance	(1,486,635)	(530)	(59,994)	(3,067)	(1,550,226)	(1,541,967)	(80,396)	(36,784)	(1,714)	(1,660,861)
Closing liabilities	(1,486,635)	(530)	(59,994)	(3,067)	(1,550,226)	(1,541,967)	(80,396)	(36,784)	(1,714)	(1,660,861)
Closing assets	-	-	-	-	-	-	-	-	-	-
Net closing balance	(1,486,635)	(530)	(59,994)	(3,067)	(1,550,226)	(1,541,967)	(80,396)	(36,784)	(1,714)	(1,660,861)

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

	31 December 2024				31 December 2023			
	Estimates of the present value of future cash flows KD	Risk Adjustment for non-financial risk KD	Contractual Service Margin (CSM) KD	Total KD	Estimates of the present value of future cash flows KD	Risk Adjustment for non-financial risk KD	Contractual Service Margin (CSM) KD	Total KD
Opening liabilities	(996,023)	(35,920)	(628,918)	(1,660,861)	(1,109,713)	(52,987)	(394,621)	(1,557,321)
Opening assets	-	-	-	-	-	-	-	-
Net opening balance	(996,023)	(35,920)	(628,918)	(1,660,861)	(1,109,713)	(52,987)	(394,621)	(1,557,321)
<i>Changes that relate to current services:</i>								
CSM recognized in consolidated statement of income for services provided	-	-	76,827	76,827	-	-	97,548	97,548
Changes in risk adjustment for risks expired	-	6,783	-	6,783	-	4,290	-	4,290
Experience adjustment-arising from premium received in the period that related to past service	(84,715)	(11,959)	-	(96,674)	(44,864)	(11,804)	-	(56,668)
<i>Changes that relate to future services:</i>								
Changes in estimates that adjust CSM	45,138	(5,979)	(39,159)	-	306,210	10,491	(316,701)	-
Changes in estimates that result in onerous contracts or reversal of losses	80,794	226	-	81,020	(71,842)	2,160	-	(69,682)
<i>Changes that relate to past services:</i>								
Changes relating to liabilities for incurred claims	2,801	10,606	-	13,407	176	11,930	-	12,106
Insurance service result	44,018	(323)	37,668	81,363	189,680	17,067	(219,153)	(12,406)
Net finance expense from insurance contracts	(45,387)	-	(24,602)	(69,989)	(118,187)	-	(15,144)	(133,331)
Total changes in the consolidated statement of income	(1,369)	(323)	13,066	11,374	71,493	17,067	(234,297)	(145,737)
<i>Cash flows:</i>								
Premiums received	(198,506)	-	-	(198,506)	(215,270)	-	-	(215,270)
Claims paid	276,356	-	-	276,356	238,370	-	-	238,370
Directly attributable non- acquisition expenses paid	21,411	-	-	21,411	19,097	-	-	19,097
Total cash flows	99,261	-	-	99,261	42,197	-	-	42,197
Net closing balance	(898,131)	(36,243)	(615,852)	(1,550,226)	(996,023)	(35,920)	(628,918)	(1,660,861)
Closing liabilities	(898,131)	(36,243)	(615,852)	(1,550,226)	(996,023)	(35,920)	(628,918)	(1,660,861)
Closing assets	-	-	-	-	-	-	-	-
Net closing balance	(898,131)	(36,243)	(615,852)	(1,550,226)	(996,023)	(35,920)	(628,918)	(1,660,861)

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

3.3 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	-	-	-	-	-	-	-	-	-	-
Opening assets	1,981,394	-	19,297,422	298,145	21,576,961	1,984,844	-	21,867,199	244,339	24,096,382
Net opening balance	1,981,394	-	19,297,422	298,145	21,576,961	1,984,844	-	21,867,199	244,339	24,096,382
Changes in the consolidated statement of income										
Allocation of reinsurance premiums	(17,959,912)	-	-	-	(17,959,912)	(16,158,887)	-	-	-	(16,158,887)
<i>Amounts recoverable from reinsurers</i>										
Amounts recoverable for claims and other expenses	-	-	783,323	5,380	788,703	-	-	2,045,286	8,685	2,053,971
Changes that relate to past service - adjustments to AIC	-	-	(523,752)	(94,938)	(618,690)	-	-	737,807	45,121	782,928
Effect of changes in the risk of reinsurers non performance	-	-	(1,757)	-	(1,757)	-	-	(14,484)	-	(14,484)
Expenses directly attributable to reinsurance	-	-	(183,036)	-	(183,036)	-	-	(180,750)	-	(180,750)
Total reinsurance recoverable for incurred claims	-	-	74,778	(89,558)	(14,780)	-	-	2,587,859	53,806	2,641,665
Net (expense) income from reinsurance contract held	(17,959,912)	-	74,778	(89,558)	(17,974,692)	(16,158,887)	-	2,587,859	53,806	(13,517,222)
Reinsurance finance income through profit and loss	-	-	378,876	-	378,876	-	-	(618,906)	-	(618,906)
Total changes in the consolidated statement of income	(17,959,912)	-	453,654	(89,558)	(17,595,816)	(16,158,887)	-	1,968,953	53,806	(14,136,128)
<i>Cash flows</i>										
Premiums paid	18,099,104	-	-	-	18,099,104	16,155,437	-	-	-	16,155,437
Directly attributable expenses paid	-	-	183,036	-	183,036	-	-	180,750	-	180,750
Recoveries from reinsurance	-	-	(3,756,699)	-	(3,756,699)	-	-	(4,719,480)	-	(4,719,480)
Total cash flows	18,099,104	-	(3,573,663)	-	14,525,441	16,155,437	-	(4,538,730)	-	11,616,707
Net closing balance	2,120,586	-	16,177,413	208,587	18,506,586	1,981,394	-	19,297,422	298,145	21,576,961
Closing liabilities	-	-	-	-	-	-	-	-	-	-
Closing assets	2,120,586	-	16,177,413	208,587	18,506,586	1,981,394	-	19,297,422	298,145	21,576,961
Net closing balance	2,120,586	-	16,177,413	208,587	18,506,586	1,981,394	-	19,297,422	298,145	21,576,961

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

3 INSURANCE AND REINSURANCE CONTRACTS (continued)

3.4 Net Insurance service results:

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

Valuation Approach	PAA		GMM		Total	
	2024	2023	2024	2023	2024	2023
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Insurance Service Revenue	42,597,793	42,880,685	318,587	309,109	42,916,380	43,189,794
Insurance service expenses	(19,410,693)	(20,354,493)	(237,224)	(321,515)	(19,647,917)	(20,676,008)
Insurance service result before reinsurance contracts held	23,187,100	22,526,192	81,363	(12,406)	23,268,463	22,513,786
Amounts recoverable from reinsurers for incurred claims	(14,780)	2,641,665	(770)	-	(15,550)	2,641,665
Allocation of reinsurance premiums	(17,959,912)	(16,158,887)	(53,561)	(52,808)	(18,013,473)	(16,211,695)
Net expense from reinsurance contracts held	(17,974,692)	(13,517,222)	(54,331)	(52,808)	(18,029,023)	(13,570,030)
Insurance service result	5,212,408	9,008,970	27,032	(65,214)	5,239,440	8,943,756

3.5 CSM recognition in profit or loss

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

	2024					Total <i>KD</i>
	Up to 1 year <i>KD</i>	1–2 years <i>KD</i>	2-3 years <i>KD</i>	3-4 years <i>KD</i>	>4 years <i>KD</i>	
Insurance contract issued	(77,810)	(66,096)	(83,156)	(54,763)	(334,027)	(615,852)
Reinsurance contract held	1,779	1,916	2,056	2,205	28,915	36,871
	2023					Total <i>KD</i>
	Up to 1 year <i>KD</i>	1–2 years <i>KD</i>	2-3 years <i>KD</i>	3-4 years <i>KD</i>	>4 years <i>KD</i>	
Insurance contract issued	(60,007)	(73,598)	(44,759)	(48,773)	(401,781)	(628,918)
Reinsurance contract held	263	279	296	317	16,238	17,393

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

4 NET INVESTMENT INCOME / EXPENSE

	2024 KD	2023 KD
Dividend income	1,650,779	1,099,763
Interest income	845,756	946,249
Realized gain from financial assets at fair value through profit or loss	68,752	50,213
Gain on sale of investment in an associate	-	307,095
Share of results of associate	311,765	345,539
Unrealised gain of financial assets at fair value through profit or loss	563,352	351,220
	<u>3,440,404</u>	<u>3,100,079</u>
Investment expense	(711,412)	(621,992)
	<u>2,728,992</u>	<u>2,478,087</u>

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	2024	2023 <i>Restated</i>
Profit for the year attributable to equity holders of the parent company (KD)	<u>5,620,497</u>	<u>7,090,281</u>
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares) (Shares)	<u>241,310,062</u>	<u>240,631,654</u>
Earnings per share	<u>23.29 Fils</u>	<u>29.47 Fils</u>

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

Earnings per share calculation for the year ended 31 December 2024 and 31 December 2023 have been adjusted to take account of the bonus shares (Note 12).

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of consolidated financial statements.

6 PROPERTY AND EQUIPMENT

	<i>Land and buildings</i> KD	<i>Furniture and equipment</i> KD	<i>Computers and software</i> KD	<i>Projects under progress</i> KD	<i>Total</i> KD
Cost:					
As at 1 January 2024	8,625,006	940,575	1,850,360	392,441	11,808,382
Additions	-	6,841	25,524	-	32,365
Disposal	-	-	-	(200,609)	(200,609)
Transferred	-	-	191,082	(191,082)	-
As at 31 December 2024	<u>8,625,006</u>	<u>947,416</u>	<u>2,066,966</u>	<u>750</u>	<u>11,640,138</u>
Depreciation:					
As at 1 January 2024	2,168,070	731,103	1,738,629	-	4,637,802
Charge for the year	119,133	71,265	60,389	-	250,787
As at 31 December 2024	<u>2,287,203</u>	<u>802,368</u>	<u>1,799,018</u>	<u>-</u>	<u>4,888,589</u>
Net carrying amount:					
As at 31 December 2024	<u>6,337,803</u>	<u>145,048</u>	<u>267,948</u>	<u>750</u>	<u>6,751,549</u>

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

6 PROPERTY AND EQUIPMENT (continued)

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

7 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	<i>Ownership percentage</i>		<i>Country of incorporation</i>	<i>2024</i>	<i>2023</i>
	<i>2024</i>	<i>2023</i>		<i>KD</i>	<i>KD</i>
KIB Takaful Insurance Company K.S.C.C.	25.70%	25.70%	Kuwait	3,827,378	3,687,314
				3,827,378	3,687,314

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

	<i>2024 KD</i>	<i>2023 KD</i>
Carrying value as at 1 January	3,687,314	8,330,796
Disposal of investment in associates	-	(4,692,905)
Share of results of associates (Note 4)	311,765	345,539
Share of other comprehensive income	8,199	5,285
Dividends	(179,900)	(301,401)
Carrying value as at 31 December	3,827,378	3,687,314

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements.

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

	<i>2024 KD</i>	<i>2023 KD</i>
Current assets	6,778,753	7,137,957
Non-current assets	8,931,097	8,409,831
Current liabilities	(43,722)	(29,966)
Non-Current liabilities	(773,607)	(1,170,298)
Equity	14,892,521	14,347,524
Revenue	1,279,711	719,803
Profit for the year	1,213,093	636,348
Other comprehensive income for the year	31,903	20,566
Total comprehensive income for the year	1,244,996	656,914

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

7 INVESTMENT IN ASSOCIATES (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in KIB Takaful Insurance Company K.S.C.C. recognized in the consolidated financial statements.

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Net assets of the associate	14,892,521	14,347,524
Proportion of the Group's ownership interest	25.70%	25.70%
Carrying amount of the Group's interest	<u>3,827,378</u>	<u>3,687,314</u>

8 INVESTMENT ASSETS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Financial assets at fair value through other comprehensive income	29,915,735	26,072,733
Financial assets at fair value through profit or loss	27,463,542	20,238,608
	<u>57,379,277</u>	<u>46,311,341</u>

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
<i>Financial assets at fair value through other comprehensive income</i>		
Quoted securities *	17,429,417	15,256,932
Unquoted securities	11,946,615	10,323,037
Investment in bonds	539,703	492,764
	<u>29,915,735</u>	<u>26,072,733</u>

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

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Local currency (KD)	24,510,336	20,465,539
Foreign currencies	5,405,399	5,607,194
	<u>29,915,735</u>	<u>26,072,733</u>

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
<i>Financial assets at fair value through profit or loss</i>		
Quoted shares	1,711,235	1,595,260
Investments in fund	1,347,975	1,594,966
Investments in portfolio **	24,404,332	17,048,382
	<u>27,463,542</u>	<u>20,238,608</u>

* Quoted shares with a fair value of KD 2,995,725 (2023: KD 2,995,725) are under lien to the Insurance Regulation Unit.

** Investments in portfolio include bonds with a carry interest rate ranging from 3.63% to 5.75% (2023: 3.63% to 5.75%) per annum.

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

9 OTHER ASSETS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Due from staff	27,164	29,716
Accrued income	421,165	314,375
Prepaid expenses	191,482	230,511
Refundable deposit	18,002	13,180
Others	397,672	408,878
	<u>1,055,485</u>	<u>996,660</u>

10 TERM DEPOSITS

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

Term deposits include an amount of KD 1,800,000 held in State of Kuwait under lien to the Insurance Regulation Unit in accordance with insurance regulations of State of Kuwait (31 December 2023: KD 1,800,000).

The effective interest rate on term deposits was 3.875% to 5.10% (31 December 2023: 4.60% to 5.80%) per annum.

The Insurance law No. 125 of 2019, requires the Parent Company to deposit in a Kuwaiti bank or in a Kuwaiti branch of a foreign bank, a deposit amounting to KD 500,000 for general insurance, KD 500,000 for life insurance and KD 1,000,000 for reinsurance.

11 CASH AND CASH EQUIVALENTS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Cash on hand	4,901	17,631
Cash in portfolio	1,588,914	285,662
Short term deposit (Maturity within 3 months ending period)	-	489,665
Bank balances	4,364,372	4,581,567
	<u>5,958,187</u>	<u>5,374,525</u>

12 SHARE CAPITAL AND CASH DIVIDENDS

The authorised, issued, and fully paid-up share capital comprises of 250,000,000 shares of 100 fils each (2023: 250,000,000 shares of 100 fils each) fully paid up in cash.

Cash dividend and bonus shares

The Board of Directors' meeting held on 19 February 2025 recommended to distribute cash dividends of 12% for the year ended 31 December 2024 (2023: 10%), in addition to bonus share Nil (2023: 2%). This recommendation is subject to the approval of the Parent Company's Annual General Assembly and completion of legal formalities.

The Annual General Assembly of the shareholders of the Parent Company was held on 7 April 2024 approved the consolidated financial statements for the year ended 31 December 2023 and the distribution of cash dividends of 10% for the year ended 31 December 2023 (2022: 8%) and the distribution date was on 9 May 2024, in addition to issuance of bonus shares of 2% from the treasury shares for every (100) shares of the Parent Company's stock for the year ended 31 December 2023.

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

13 RESERVES

Statutory reserve

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

Since the reserve has reached 50% of the capital, the Board of Directors have resolved to discontinue transfer to statutory reserve and was approved by the Parent Company Annual General Assembly on 26 March 2012. On 8 August 2023, the board of directors of the Parent Company proposed to utilize the statutory reserve for the purpose of extinguishing of accumulated losses amounting to KD 4,960,636, which is approved by the General Assembly meeting hold on 27 September 2024.

As of 31 December 2024, the Parent Company transferred 10% of the profit for the year before contribution to KFAS, NLST, and Zakat.

Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' Annual General Assembly Meeting upon recommendation by the Board of Directors. The Parent Company's General Assembly held on 19 May 2015 resolved to discontinue transfer to voluntary reserve.

14 TREASURY SHARES

	2024	2023
Number of shares	<u>6,570,244</u>	<u>11,789,448</u>
Percentage of issued shares (%)	<u>2.63%</u>	<u>4.72%</u>
Market value (KD)	<u>1,077,520</u>	<u>1,187,197</u>

An amount of KD 686,385 (31 December 2023: KD 1,210,017) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the year ended 31 December 2024 was 164 fils per share (31 December 2023: 115 fils per share).

During the current year, the Group purchased treasury shares of 83,765 shares (31 December 2023: 10,499,073 shares) for total consideration amounting to KD 9,058 (31 December 2023: KD 934,000) and sold treasury shares of 540,000 (31 December 2023: 6,315,027 shares) with total consideration of KD 56,393 (31 December 2023: KD 835,876).

15 OTHER LIABILITIES

	2024 KD	2023 KD
Provision for end of service indemnity	1,965,113	1,866,048
NLST and Zakat payables	217,295	131,726
KFAS payable	130,022	151,896
Dividends payable	1,387,040	1,310,569
Accrued staff leave	381,969	337,057
Accrued expenses	1,303,772	1,205,274
Considerations payable for investments acquired (Note 17)	11,936,498	4,753,080
Provision for legal case (Note 18)	500,000	500,000
Other liabilities	2,314,072	2,215,003
	<u>20,135,781</u>	<u>12,470,653</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

16 SEGMENT INFORMATION

The Group operates in three segments: General risk insurance, Life and Medical insurance and Investment. Within General risk insurance are Marine and Aviation, General Accidents and Fire, and Motor

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 the insurance segments:

- Marine and aviation: Insurance against the risks related to goods transportation and different types of marine and aviation vessels.
- General accidents: Insurance against risks of contractors, machine and computer damages and cessation of work; insurance for cash, fidelity bonds, professional risks, work accidents, civil responsibility and cars.
- Fire: Insurance against fire for different types of buildings, stores, industrial risks and oil and gas industry.
- Motor: Insurance against accidents for different types of motor vehicles.
- Life and medical insurance: Providing various life and health insurance cover for individuals and Companies.

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

16 SEGMENT INFORMATION (continued)

(A) Segment information – Consolidated statement of income

31 December 2024	<i>General risk insurance</i>				<i>Life and medical insurance</i>	<i>Investments</i>	<i>Unallocated</i>	<i>Total</i>
	<i>Marine and aviation</i>	<i>General accidents and fire</i>	<i>Motor</i>	<i>Total general risk insurance</i>				
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue:								
Insurance service result before reinsurance contracts held	1,404,013	11,823,808	4,639,525	17,867,346	5,401,117	-	-	23,268,463
Reinsurance contracts held	(1,072,020)	(11,147,404)	(2,885,940)	(15,105,364)	(2,923,659)	-	-	(18,029,023)
Finance expenses from insurance contracts issued	(32,555)	(265,471)	(101,217)	(399,243)	(305,079)	-	-	(704,322)
Finance income from reinsurance contracts held	24,407	249,159	18,868	292,434	86,559	-	-	378,993
Net investment income						2,728,992	-	2,728,992
Unallocated general and administrative expenses						-	(2,128,035)	(2,128,035)
Other income						-	410,033	410,033
KFAS, ZAKAT, NLST						-	(258,185)	(258,185)
Profit for the year						2,728,992	(1,976,187)	5,666,916

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

16 SEGMENT INFORMATION (continued)

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

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

16 SEGMENT INFORMATION (continued)

(B) Segment information – Consolidated statement of financial position

	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>31 December 2024</i>					
Assets	<u>14,070,038</u>	<u>4,469,254</u>	<u>85,564,113</u>	<u>-</u>	<u>104,103,405</u>
Liabilities	<u>22,876,397</u>	<u>15,839,915</u>	<u>15,936,498</u>	<u>6,158,669</u>	<u>60,811,479</u>
<i>31 December 2023</i>					
Assets	<u>16,697,369</u>	<u>4,893,072</u>	<u>70,515,420</u>	<u>-</u>	<u>92,105,861</u>
Liabilities	<u>27,548,688</u>	<u>16,002,423</u>	<u>8,753,080</u>	<u>3,513,674</u>	<u>55,817,865</u>

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

17 RELATED PARTY TRANSACTIONS

The Group has entered into various transactions with related parties, i.e. shareholders, Board of directors, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:

	<i>Parent Company's shareholders KD</i>	<i>Entities under common control KD</i>	<i>Total 2024 KD</i>	<i>Total 2023 KD</i>
Investment activities				
Financial assets at fair value through profit or loss	-	16,837,243	16,837,243	7,968,832
Financial assets at fair value through other comprehensive income	-	22,899,656	22,899,656	20,278,438
Investments in associates	-	3,827,379	3,827,379	3,687,314
Term deposits	-	10,100,000	10,100,000	5,175,000
Cash and cash equivalents	-	3,789,502	3,789,502	3,915,983
Other liabilities*	-	11,936,498	11,936,498	4,753,080
Insurance activities				
Insurance contract assets	88,823	4,333,090	4,421,913	3,684,294
Insurance contract liabilities	-	604,780	604,780	465,488

* Other liabilities represent borrowings from third party through related party with an average interest rate of 4.85% (31 December 2023: 5.90%).

Transactions included in the consolidated statement of income:

	<i>Parent Company's shareholders KD</i>	<i>Entities under common control KD</i>	<i>Total 2024 KD</i>	<i>Total 2023 KD</i>
Premiums written	20,358	1,635,294	1,655,652	1,868,506
Claims paid	10,784	1,359,002	1,369,786	1,471,488
Dividend income	-	687,161	687,161	599,629
Gain from sale of investment in associates	-	-	-	307,095
Share of results of associates	-	311,765	311,765	345,539
Compensation to key management personnel:			<i>2024 KD</i>	<i>2023 KD</i>
Salaries and short-term employee benefits			915,141	846,122
Employees end of service benefits			28,358	36,856
			943,499	882,978

18 CAPITAL COMMITMENTS AND CONTINGENCIES

	<i>2024 KD</i>	<i>2023 KD</i>
Letters of guarantee	473,150	364,164
Capital commitments	-	6,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

18 CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

Letters of guarantee include an amount of KD 1,427,180 held in State of Kuwait under lien to the Insurance Regulation Unit in accordance with insurance regulations of State of Kuwait (31 December 2023: KD 1,427,180).

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

On 24 July 2023, a preliminary verdict has been issued in the customer's favor, The Group appealed the verdict and a new session is scheduled on 13 November 2023 then transferred to department of expertise on 4 March 2024, then scheduled for a hearing on 11 November 2024, then it was postponed to 11 March 2025 for Appeal session.

During the prior year, the Group has provided an amount of KD 500,000 as a provision against this legal case. The Group believes the current provision taken is adequate based on the current legal status of the legal case.

The Group is subject to litigation in the normal course of its business. The Group based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's consolidated statement of income or consolidated statement of financial position.

19 STATUTORY GUARANTEES

The following amounts are held in Kuwait by the Parent Company as security for the order of the Insurance Regulation Unit in accordance with the Ministerial Decree No. 27 of 1966 and its amendments new law No. 125 of 2019:

- (a) Deposits and investments amounting to KD 500,000 (2023: KD 500,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
- (b) Deposits and investment amounting to KD 500,000 (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) Deposits and investment amounting to KD 1,000,000 (2023: KD 1,000,000) have been deposited with a Kuwaiti bank in respect of the Parent Company's right to transact reinsurance business;

As of the reporting date, the Parent Company calculated the amounts are held in Kuwait in accordance with the new law.

20 RISK MANAGEMENT

(a) Governance framework

The Group's Governance Risk and Compliance management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives including failing to exploit opportunities, and analyse the nature and extent of risks encountered by the Group's activities, to assess of the environmental, social, and governance sustainability risks, in order to mitigate, avoid, and prevent those Risks. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established The Governance Risk and Compliance function since 2013 with clear terms of reference from the Group's Board of Directors, and its committees. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to the management. Also, a Group policy framework including risk profiles for the Group, risk management, internal control, business continuity and business conduct standards for the Group's operations at the highest-level of quality control and to monitor the soundness of consolidated financial statements and the efficiency of the Group activities and evaluate the extent of commitment to supervisory controls.

(b) Regulatory framework

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(b) Regulatory framework (continued)

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

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

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

(c) Insurance risk

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

For life insurance contracts the Group offers individual life, the main risks that the Group is exposed to are, as follows:

- ▶ Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- ▶ Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- ▶ Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- ▶ Investment return risk - risk of loss arising from actual returns being different than expected.
- ▶ Expense risk - risk of loss arising from expense experience being different than expected.
- ▶ Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

For the life insurance and life reinsurance contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly settling claims, to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

Reinsurance risks

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

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

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

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

Reinsurance risks (continued)

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Group and agreed to pre-set requirements of the Group's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As of 31 December 2024 and 31 December 2023, there is no significant concentration of reinsurance balances.

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

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

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

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

KD	31 December 2024			31 December 2023		
	Insurance contracts issued	Reinsurance contracts held	Net	Insurance contracts issued	Reinsurance contracts held	Net
Medical	11,427,444	(3,352,175)	8,075,269	9,933,279	(2,286,295)	7,646,984
Group life	4,711,638	(3,282,232)	1,429,406	6,157,424	(4,238,776)	1,918,648
Motor	9,176,633	(966,325)	8,210,308	8,682,784	(1,529,840)	7,152,944
Marine and aviation	819,719	(844,928)	(25,209)	1,064,257	(1,027,519)	36,738
Fire	3,298,405	(4,932,790)	(1,634,385)	4,590,798	(3,950,977)	639,821
General Accident	5,691,633	(5,128,136)	563,497	7,257,809	(8,543,554)	(1,285,745)
Individual life	1,550,226	(32,706)	1,517,520	1,660,861	(13,480)	1,647,381
Total	36,675,698	(18,539,292)	18,136,406	39,347,212	(21,590,441)	17,756,771

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

Sensitivities on major assumptions

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

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

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

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

Sensitivities on major assumptions (continued)

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

KD	31 December 2024			31 December 2023		
	Net insurance contract liabilities	Impact on profit	Impact on equity	Net insurance contract liabilities	Impact on profit	Impact on equity
Insurance contract liabilities	(35,125,472)			(37,686,351)		
Reinsurance contract Assets	18,506,586			21,576,961		
Net insurance contract liabilities	(16,618,886)			(16,109,390)		
Expenses increase by 1%		(13,346)	(13,346)		(11,095)	(11,095)
Expenses decrease by 1%		13,346	13,346		11,094	11,094
Yields curve shift up by 1 %		72,646	72,646		21,533	21,533
Yields curve shift down by 1 %		(74,501)	(74,501)		(21,703)	(21,703)

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

KD	31 December 2024			31 December 2023		
	Insurance contract liabilities	Impact on profit	Impact on equity	Insurance contract liabilities	Impact on profit	Impact on equity
Insurance contract liabilities	(1,550,226)			(1,660,861)		
Lapse/surrenders scenario increase by 5%	(1,524,253)	1,409	1,409	(1,672,183)	(11,322)	(11,322)
Lapse/surrenders scenario decrease by 5%	(1,523,805)	1,857	1,857	(1,671,430)	(10,569)	(10,569)
Mortality increase by 5%	(1,552,635)	(26,973)	(26,973)	(1,721,351)	(60,490)	(60,490)
Mortality decrease by 5%	(1,495,131)	30,531	30,531	(1,620,981)	39,880	39,880
Expenses increase by 5%	(1,526,835)	(1,173)	(1,173)	(1,676,756)	(15,895)	(15,895)
Expenses decrease by 5%	(1,521,098)	4,564	4,564	(1,665,877)	(5,016)	(5,016)
Yields curve shift up by 5%	(1,482,599)	43,063	43,063	(1,644,983)	15,878	15,878
Yields curve shift down by 5%	(1,572,710)	(47,048)	(47,048)	(1,677,127)	(16,266)	(16,266)
Loss reserve increase by 5%	(1,527,587)	(1,925)	(1,925)	(1,662,786)	(1,925)	(1,925)
Loss reserve decrease by 5%	(1,523,737)	1,925	1,925	(1,658,936)	1,925	1,925

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

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

	31 December 2024			31 December 2023		
	Net insurance contract liabilities	Impact on profit	Impact on equity	Net insurance contract liabilities	Impact on profit	Impact on equity
Reinsurance contract Assets	32,706			13,480		
Net Insurance contract liabilities	(1,517,520)			(1,647,381)		
Lapse/surrenders scenario increase by 5%	(1,491,503)	1,452	1,452	(1,658,610)	(11,229)	(11,229)
Lapse/surrenders scenario decrease by 5%	(1,491,143)	1,813	1,813	(1,658,035)	(10,654)	(10,654)
Mortality increase by 5%	(1,520,132)	(27,176)	(27,176)	(1,708,055)	(60,674)	(60,674)
Mortality decrease by 5%	(1,462,221)	30,735	30,735	(1,607,305)	40,076	40,076
Expenses increase by 5%	(1,494,129)	(1,173)	(1,173)	(1,663,276)	(15,895)	(15,895)
Expenses decrease by 5%	(1,488,391)	4,564	4,564	(1,652,397)	(5,016)	(5,016)
Loss reserve increase by 5%	(1,494,881)	(1,925)	(1,925)	(1,649,306)	(1,925)	(1,925)
Loss reserve decrease by 5%	(1,491,031)	1,925	1,925	(1,645,456)	1,925	1,925

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

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

Claims development table

31 December 2024

	2015 KD	2016 KD	2017 KD	2018 KD	2019 KD	2020 KD	2021 KD	2022 KD	2023 KD	2024 KD	Total KD
Undiscounted liabilities for incurred claims, gross of reinsurance:	17,938,749	13,733,636	12,804,356	24,684,425	10,936,600	11,586,030	16,924,726	17,179,903	16,359,232	17,764,189	159,911,845
At end of accident year	8,962,959	8,711,541	4,966,661	3,231,613	4,259,998	3,746,433	6,593,045	6,597,348	8,587,133	8,942,650	-
One year later	12,818,915	11,972,997	9,166,855	12,455,178	8,841,304	9,491,343	12,809,043	14,364,888	14,547,051	-	-
Two years later	14,170,444	12,448,984	11,717,075	16,564,717	9,661,036	10,514,596	14,045,650	14,905,113	-	-	-
Three years later	14,307,282	13,122,255	11,944,269	18,673,669	10,044,130	10,698,990	15,782,107	-	-	-	-
Four years later	14,875,322	13,003,671	12,194,188	24,073,150	10,121,524	10,977,547	-	-	-	-	-
Five years later	15,221,986	13,128,489	12,249,715	24,298,835	10,144,478	-	-	-	-	-	-
Six years later	15,485,275	13,182,363	12,302,803	24,281,008	-	-	-	-	-	-	-
Seven years later	15,532,734	13,184,462	12,469,805	-	-	-	-	-	-	-	-
Eight years later	15,587,540	13,226,281	-	-	-	-	-	-	-	-	-
Nine years later	15,596,561	-	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	15,596,561	13,226,281	12,469,805	24,281,008	10,144,478	10,977,547	15,782,107	14,905,113	14,547,051	8,942,650	154,681,851
Cumulative gross claims and other directly attributable expenses paid	2,342,188	507,355	334,551	403,417	792,121	608,483	1,142,619	2,274,790	1,812,181	8,821,539	19,039,244
Effect of discounting	-	-	-	-	-	-	-	-	-	-	(805,817)
Effect of the risk adjustment	-	-	-	-	-	-	-	-	-	-	517,044
Claims payables	-	-	-	-	-	-	-	-	-	-	7,202,252
Gross liabilities for incurred claims	-	-	25,952,723								

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

Claims development table (continued)

31 December 2023

	2014 KD	2015 KD	2016 KD	2017 KD	2018 KD	2019 KD	2020 KD	2021 KD	2022 KD	2023 KD	Total KD
Undiscounted liabilities for incurred claims, gross of reinsurance:	17,247,836	15,777,710	13,824,083	13,032,459	24,758,871	11,144,247	12,151,018	16,987,541	18,162,866	15,977,865	159,064,496
At end of accident year	7,890,105	8,962,959	8,711,541	4,966,661	3,231,613	4,259,998	3,746,433	6,593,045	6,597,348	8,059,445	-
One year later	12,846,539	12,818,915	11,972,997	9,166,855	12,455,178	8,841,304	9,491,343	12,809,043	14,364,888	-	-
Two years later	13,513,397	14,170,444	12,448,984	11,717,075	16,564,717	9,661,036	10,514,596	14,045,650	-	-	-
Three years later	13,421,854	14,307,282	13,122,255	11,944,269	18,673,669	10,044,130	10,698,989	-	-	-	-
Four years later	13,538,187	14,875,322	13,003,671	12,194,188	24,073,150	10,121,525	-	-	-	-	-
Five years later	13,679,676	15,221,986	13,128,489	12,249,715	24,298,835	-	-	-	-	-	-
Six years later	13,768,532	15,485,275	13,182,363	12,302,802	-	-	-	-	-	-	-
Seven years later	13,815,688	15,532,734	13,184,462	-	-	-	-	-	-	-	-
Eight years later	13,807,131	15,587,540	-	-	-	-	-	-	-	-	-
Nine years later	13,809,101	-	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	13,809,101	15,587,540	13,184,462	12,302,802	24,298,835	10,121,525	10,698,989	14,045,650	14,364,888	8,059,445	136,473,237
Cumulative gross claims and other directly attributable expenses paid	3,438,735	190,170	639,621	729,657	460,036	1,022,722	1,452,029	2,941,891	3,797,978	7,918,420	22,591,259
Effect of discounting	-	-	-	-	-	-	-	-	-	-	(1,063,719)
Effect of the risk adjustment	-	-	-	-	-	-	-	-	-	-	536,052
Claims payables	-	-	-	-	-	-	-	-	-	-	5,928,054
Gross liabilities for incurred claims	-	-	-	-	-	-	-	-	-	-	27,991,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(d) Financial risk

Financial risk comprises of the followings:

- Liquidity Risk
- Market Risk
- Credit Risk

These risks have been briefly explained below:

1. Liquidity risk

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

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

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

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

Maturity profiles

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

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

	2024						
	Up to 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
KD Insurance contract liabilities	20,018,924	5,252,783	2,031,023	654,360	(309,384)	660,780	28,308,486
Reinsurance contract assets	13,569,806	2,141,155	892,507	407,689	(233,412)	29,447	16,807,192
	2023						
	Up to 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
KD Insurance contract liabilities	22,589,680	3,006,311	1,618,985	1,059,409	466,455	911,667	29,652,507
Reinsurance contract assets	16,516,630	1,602,088	915,781	433,075	128,863	12,610	19,609,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(d) Financial risk (continued)

2. Credit risk

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

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

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

Exposure credit risk	<i>General insurance KD</i>	<i>Life and Medical insurance KD</i>	<i>Total KD</i>
31 December 2024			
Cash and cash equivalents - excluding cash on hand	5,291,387	661,899	5,953,286
Fixed deposits	10,292,237	300,000	10,592,237
Financial assets at fair value through other comprehensive income	539,703	-	539,703
Other assets - excluding prepayments	846,029	17,974	864,003
Total credit risk exposure	<u>16,969,356</u>	<u>979,873</u>	<u>17,949,229</u>
Exposure credit risk	<i>General insurance KD</i>	<i>Life and Medical insurance KD</i>	<i>Total KD</i>
31 December 2023			
Cash and cash equivalents - excluding cash on hand	4,567,043	789,851	5,356,894
Fixed deposits	6,800,000	175,000	6,975,000
Financial assets at fair value through other comprehensive income	492,764	-	492,764
Other assets - excluding prepayments	680,196	85,953	766,149
Total credit risk exposure	<u>12,540,003</u>	<u>1,050,804</u>	<u>13,590,807</u>

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

2. Credit risk (continued)

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

Exposure credit risk by classifying financial assets according to international credit rating agencies	A KD	B KD	Not rated KD	Total KD
<i>31 December 2024</i>				
Cash and cash equivalents - excluding cash on hand	5,953,286	-	-	5,953,286
Fixed deposits	10,592,237	-	-	10,592,237
Financial assets at fair value through other comprehensive income	-	539,703	-	539,703
Other assets - excluding prepayments	421,165	401,494	41,344	864,003
Total credit risk exposure	16,966,688	941,197	41,344	17,949,229
<i>31 December 2023</i>				
Cash and cash equivalents - excluding cash on hand	5,356,894	-	-	5,356,894
Fixed deposits	6,975,000	-	-	6,975,000
Financial assets at fair value through other comprehensive income	-	492,764	-	492,764
Other assets - excluding prepayments	314,375	408,878	42,896	766,149
Total credit risk exposure	12,646,269	901,642	42,896	13,590,807

3. Market risk

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

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

(i) Currency risk

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

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

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

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

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

20 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

3. Market risk (continued)

(i) Currency risk

	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	937,999	26,985	594,363	24,638
BHD	±5	-	270,270	-	280,360

(ii) Interest rate risk

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates, on the Group's profit before contribution to KFAS, NLST, Zakat and directors' fees, based on floating rate financial assets and financial liabilities held as at 31 December 2024 and 2023.

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

(iii) Equity price risk

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

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

Market indices	Impact of profit for the year		Impact of other comprehensive income	
	2024 KD	2023 KD	2024 KD	2023 KD
Kuwait	152,960	159,511	525,540	482,487
Other countries	-	-	270,270	280,360

21 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issues new shares.

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

21 CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, liabilities arising from insurance contracts, payables and term loans less cash and cash equivalent. Capital includes equity of the Group.

	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
Liabilities arising from insurance contracts	36,675,698	39,347,212
Other liabilities	20,135,781	12,470,653
Term loan	4,000,000	4,000,000
Less: Cash and cash equivalents	(5,958,187)	(5,374,525)
Net debt	54,853,292	50,443,340
Total equity	43,291,926	36,287,996
Total capital	98,145,218	86,731,336
Gearing ratio	56%	58%

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

The fair values of financial instruments are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair value</i>
31 December 2024	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial assets at fair value through profit or loss	20,816,063	1,347,975	5,299,504	27,463,542
Financial assets at fair value through other comprehensive income	17,969,120	-	11,946,615	29,915,735
Total	38,785,183	1,347,975	17,246,119	57,379,277

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2023	<i>Quoted prices in active markets (Level 1)</i> KD	<i>Significant observable inputs (Level 2)</i> KD	<i>Significant unobservable inputs (Level 3)</i> KD	<i>Total fair value</i> KD
Financial assets at fair value though profit or loss	13,343,642	1,594,966	5,300,000	20,238,608
Financial assets at fair value though other comprehensive income	15,749,696	-	10,323,037	26,072,733
Total	29,093,338	1,594,966	15,623,037	46,311,341

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 & lack of control	5%	An increase (decrease) by 5% in the Discount for lack of marketability & lack of Control would result in (decrease) increase in fair value by KD 738 thousands.
	Price to book value	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	5%	An increase (decrease) by 5% in the price to book multiple would result in increase (decrease) in fair value by KD 2,113 thousands.

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

	<i>At the beginning of the year KD</i>	<i>Net Change in fair value recorded in the consolidated statement of comprehensive income KD</i>	<i>Net Change in fair value recorded in the consolidated statement of income KD</i>	<i>Net purchases and disposals KD</i>	<i>At the end of the year KD</i>
2024					
Financial assets at fair value though other comprehensive income	10,323,037	1,423,578	-	200,000	11,946,615
Financial assets at fair value though profit or loss	5,300,000	-	(496)	-	5,299,504
	15,622,541	1,423,578	(496)	200,000	17,246,119

Warba Insurance and Reinsurance Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for year ended 31 December 2024

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At the beginning of the year KD</i>	<i>Net Change in fair value recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At the end of the year KD</i>
2023				
Financial assets at fair value through other comprehensive income	603,569	(76,988)	9,796,456	10,323,037
Financial assets at fair value through profit or loss	5,300,000	-	-	5,300,000
	<u>5,903,569</u>	<u>(76,988)</u>	<u>9,796,456</u>	<u>15,623,037</u>

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.

All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena