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Corporate Governance Report & Financial Statements 2022

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مجموعة الخليج للتأمين
GIG GULF INSURANCE GROUP

Corporate Governance
is an essential part
of the Group's culture

Corporate Governance Report

Dear GIG Shareholders,

On behalf of my colleagues, members of the Board of Directors, and myself, I present to you the Annual Corporate Governance Report of GIG for the fiscal year ending 31 December 2022.

In GIG, the Corporate Governance philosophy comes from our belief that efficient, transparent, and impeccable Corporate Governance is vital for stability, profitability, and desired growth of the business as well as for advancing investors' confidence and return on investments to the shareholders. The importance of Corporate Governance has also increased in recent times, owing to ever-growing competition in businesses and regulatory requirements in each territory in which GIG operates.

Our corporate governance philosophy is based on the following principles:

- Maintain corporate governance standards as per the regulatory requirements, not just of of fulfilling the keen intention of such regulations;
- Create transparency at the highest level and disclose when in doubt;
- Ensure integrity in distinguishing personal and business resources;
- Establish clear and rightful external communication on strategy and operations;
- Maintain a rational corporate structure solely basis on business needs;
- Create a balance between business and social goals;
- Ensure the fairness and equality treatment to all shareholders;
- Adopt the culture of professional conduct and ethical values among stakeholders;
- Establish effective risk management;
- Maintain the independence of auditors.

In the accomplishment of the above principles, GIG has established a multi-layered process that stems from the group's culture, policies, values, and ethics; especially for the management and dealing with various stakeholders. It is also very much committed to continuing scaling up its Corporate Governance standards and generating value that is not only rewarding to the businesses but remains sustainable in the long-term interests of all stakeholders. It will remain our responsibility to disclose timely and accurate information regarding our financials and performance as well as the leadership and governance.

Farqad Abdullah al-Sane
Chairman of the Board Governance Committee

Hereunder is a summary of some policies applied by GIG, which conform with the international practices and applicable legislations concerned with corporate governance.

Contents

Introduction

The Group believes that corporate governance is a prerequisite, if not an invaluable asset, for creating a strong internal control environment that would support effective business delivery.

The Group strongly believed that an effective corporate governance framework was essential to the success of its work, as it was important to promote confidence in it and provided opportunities for comprehensive and sustainable changes in line with the Group's values.

By embracing these principles and taking them seriously, the Group continuously seeks to apply high standards, professional practices and world-class policies that lead to a governance environment that supports the values of our companies and helps us to realize our vision into reality.

In this sense, our vision is that Gulf Insurance Group should serve as a model for a regional group in the area of governance and social responsibility at the Middle East and North Africa levels.

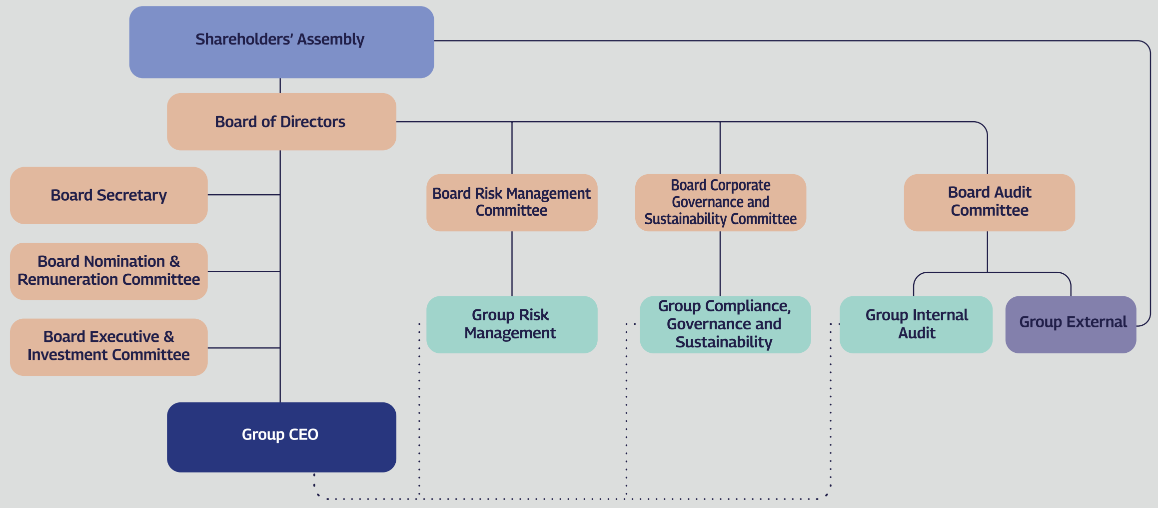
During 2022, the Group maintained its continuity by adhering to the rules on corporate governance of the Kuwait Capital Markets Authority, which provide a comprehensive framework for corporate governance.

The Corporate Governance Report is one of the most important platforms for transparency and communication with the public. Governance is reflected in the set of rules and procedures for the management and oversight of the Group, as well as governing the relationships between the governing board , executive management, shareholders and other stakeholders, as well as the community responsibility of the Group.

Rule 1 : Brief On The Structure/ Formation Of GIG's Board Of Directors

2. Brief On The Structure/ Formation Of GIG's Board Of Directors

The board has dedicated all their experiences to elevate the group's performance in order to comply with the shareholders and stakeholders' expectations, we have been abreast with governance frameworks to ensure the effectiveness of the Board of Directors and their qualification to carry out their responsibilities towards key issues, as well as encourage and facilitate their positive contributions, the board has established affiliated committees and assigned a number of tasks and responsibilities to them, in which each committee submits its reports and recommendations periodically to the Board of Directors, this is a matter of accountability and transparency, the following diagram illustrates the governance structure within the group:



2.1 Composition of the Board of Directors

In accordance with the GIG's General Assembly's meeting decision dated 23/03/2020, the election of a new board of directors was approved for the next three years. The Board Of Directors was formed from individuals with extensive and diverse experience, skills and knowledge, resulting in a balanced and positive form for the Board, enabling the Board to exercise its functions and responsibilities, taking into account the renewed business needs:

Sr.	Name	Member Description (Executive, Non-executive, Independent/Board Secretary)	Professional qualification and experience*	Election Date
1	Farqad Abdullah Al- Sane	Non-executive	Professional qualifications and experiences are mentioned in details below	23/03/2020
2	Faisal Hamad Al Ayyar	Non-executive		23/03/2020
3	Khaled Saoud Al Hasan	Executive		23/03/2020
4	Adana Nasser Sabah Al-Ahmed Al-Sabah	Non-executive		01/11/2020
5	Abdul Ilah Mohammed Rafie Al Marafi	Independent		23/03/2020
6	Bijan Khosrowshahi	Non-executive		23/03/2020
7	Jean Cloutier	Non-executive		23/03/2020
8	Robert Quinn Mclean	Non-executive		23/03/2020
9	Abdulaziz Saoud Al Fulaij	Independent		23/03/2020
10	Abdullah Mohammed Al Mansour	Independent		23/03/2020
	Rami Selim Al Baraki	Board Secretary		10/10/2021

* Academic and professional experience is set out in the details below.

GIG's Board of Directors has a structure that is in proportion with the size and nature of the group's activities and with the tasks and responsibilities assigned to the members of the board, when the board was structured it has been taken into consideration the diversity of professional and practical experiences, in addition to technical skills, also the nomination and remuneration committee verifies that the members of the Board and Executive Management sustain all efficiency and integrity requirements of the group and review the required skills for the Board of Directors membership as well as the Executive Management on annual basis.

gig's Board of Directors consists (10) members, (1) executive member, (9) non-executive members (in which (3) of them are independent members), all members of the board are professionals with a proven track record of board membership in a various of other companies, they sustain the necessary skills for this position, in addition to knowledge and experience of the insurance industry, all members of the board are elected through the general assembly every three years and the members have been reelected at 2020:

Farqad Abdullah Al-Sane
Group Chairman

Mr. Al-Sane holds a Bachelor degree of Commerce in Accounting from Cairo University - Egypt. He held various management and board level positions for more than 30 successive years in Kuwait. He joined Gulf Insurance Company (GIC) in 2001. Currently he is the Group Chairman of Gulf Insurance Group. Mr. Al-Sane has diversified professional career started as Internal Auditor at the Kuwait Oil Company, Deputy General Manager of Wafra Real Estate Company; General Manager of Commercial Real Estate Company, Board Member of KIPCO Group; Board Member of United Real Estate Company; and the Chairman of Commercial Markets Complexes Company and Board Member in ALARGAN INTERNATIONAL REAL ESTATE COMPANY; Board Member of MENA Homes Real Estate Company.

Faisal Hamad Al Ayyar
Vice Chairman

Mr. Faisal Al Ayyar is Executive Vice Chairman of the Kuwait Projects Company (Holding), He joined KIPCO in 1990 when it was a US$ 220 million regional investment company. Under his stewardship, KIPCO has developed into one of MENA's leading holding companies with interests in financial services, media, real estate, manufacturing and education, operations in 24 countries and consolidated assets of over US$ 32 billion. It's worth noting his leading role in the creation and development of OSN, the region's largest pay-tv company, the development of SADAFCO, a leading dairy and foodstuff producer in Saudi Arabia, and the expansion and subsequent sale of Wataniya Telecom, a major regional mobile operator.

Mr. Al Ayyar is Chairman of Panther Media Group - Dubai, UAE (OSN). He is Vice Chairman of Gulf Insurance Group – Kuwait, United Gulf Bank – Bahrain, United Gulf Holding Company B.S.C. – Bahrain, Jordan Kuwait Bank – Jordan, Saudia Dairy & Foodstuff Company – KSA, and Mashare'a Al-Khair Establishment - Kuwait. He is a Board Member of Gulf Egypt for Hotels & Tourism Company – Egypt. He is a Trustee of the American University of Kuwait – Kuwait, and Honorary Chairman of the Kuwait Association for Learning Differences – Kuwait.

Mr. Al Ayyar began his career as a fighter pilot with the Kuwait Air Force, Honors include the Arab Bankers Association of North America's 2005 Achievement Award, the Tunis Arab Economic Forum and the Beirut Arab Economic Forum 2007 Achievement Awards and the Kuwait Economic Forum 2009 Award for his contribution to the investment sector and successes in the global financial market.

Khaled Saoud Al Hasan
Board Member and Group CEO

Mr. Al Hasan holds a Bachelor degree in Political Science and Economics from Kuwait (1976). His professional Insurance and Administrative experience exceeds over 30 years in different Executive positions. He joined GIC in 1978. He is currently the Board member and CEO of the gig, the Chairman of Kuwait Insurance Federation "KIF" (Kuwait). He is on the Board of Directors in many of Gulf Insurance Group subsidiaries, General Arab Insurance Federation "GAIF" (Egypt) and the Arab Reinsurance Company (Lebanon).

Adana Nasser Sabah Al-Ahmed Al-Sabah
Member of the Board of Directors

Shaikha Dana Nasser Sabah Al-Ahmed Al-Sabah is the Founder and Chair of the Board of Trustees of the American University of Kuwait (AUK), Kuwait's only Liberal Arts University. Al-Sabah is also the Chairwoman of United Education Co. (UEC), Kuwait's leading company in the education sector. UEC consolidates seven K-12 schools with over 12,500 students. The United Education network includes some of the leading American, Indian, and Pakistani schools in Kuwait.

Al-Sabah is also the Chief Executive Officer of Al-Futooh Holding Co., the major stakeholder in Kuwait Project Co. (KIPCO), a multi-sector operating holding company with a diversified portfolio spanning the Gulf Cooperation Council countries and the wider Middle East and North Africa region.

Al-Sabah received a Doctorate of Humane Letters from Dartmouth College, Hanover, New Hampshire and a BA in English Literature from Kuwait University and studied at Indiana University in Bloomington, Indiana.

Bijan Khosrowshahi
Board Member

Bijan Khosrowshahi was born in 1961, he obtained his MBA in 1986 following an undergraduate degree in Mechanical Engineering in 1983 from Drexel University, USA. He is currently the President & CEO of Fairfax International, London and the Board member, Representative of Fairfax Financial Holdings Limited for the following companies: Gulf Insurance Group K.S.C.P. and Gulf Insurance & Reinsurance Company in Kuwait, Bahrain Kuwait Insurance Company B.S.C. in Bahrain, Arab Misr Insurance Group S.A.E. in Egypt, Arab Orient Insurance Company in Jordan, Gulf Sigorta A.S. in Turkey, Alliance Insurance Company P.S.C. in United Arab Emirates, Jordan Kuwait Bank in Jordan, Commercial International Bank - Egypt S.A.E. in Egypt, as well as Colonnade Insurance S.A. in Luxembourg, Southbridge Compañía de Seguros Generales S.A. in Chile, La Meridional Compañía Argentina de Seguros S.A. in Argentina and SBS Seguros Colombia S.A. in Colombia.

Mr. Bijan previously held the position of President & CEO, Fuji Fire and Marine Insurance Company - Japan, President of AIG's General Insurance operations - Seoul, Korea (2001-2004), Vice Chairman and Managing Director, AIG Sigorta - Istanbul, Turkey (1997-2001), Regional Vice President, AIG's domestic property and casualty operations for the Mid-Atlantic region - USA, and held various underwriting and management positions with increasing responsibilities, AIG, USA since 1986, Board member, Foreign Affairs Council, Board member, Insurance Society of Philadelphia, Council member, USO, Korea, Chairman, Insurance committee of the American Chamber of Commerce, Korea, Member, Turkish Businessmen's Association.

Jean Cloutier
Board Member

Mr. Cloutier received his bachelor's degree in actuarial sciences from Laval University in 1986. He is a fellow of the Casualty Actuarial Society and a member of the Canadian Institute of Actuaries. Mr. Cloutier joined Fairfax in 1999 as Vice President and Chief Actuary, becoming Vice President, International Operations in 2009 and is Chairman of Fairfax International from 2013 to present. From 1990 – 1999, he was Vice President Actuarial Services of Lombard Canada Limited, a Canadian property and casualty insurance company, Mr. Cloutier serves on the Board of a number of Fairfax Subsidiaries as well as Industry Organizations on behalf of Fairfax.

Quinn McLean
Board Member

Robert Quinn McLean is a Vice President at Hamblin Watsa Investment Counsel, a wholly owned subsidiary of Fairfax Financial. He is responsible for the Fairfax insurance subsidiary investment portfolios in the Middle East/Turkey/North Africa (Gulf Insurance Group) and South Africa/Botswana (Bryte Insurance). Mr. McLean is currently on the board of Gulf Insurance Group based in Kuwait, Farmers Edge Inc. (Winnipeg, Canada), Boat Rocker Media Inc. (Toronto, Canada) and Helios Fairfax Partners Corporation (Toronto, Canada). Initial work experience was in the public accounting profession including work in audit and tax. Subsequently Mr. McLean entered the investment management profession as an investment analyst working for an Institutional Investment Manager in Toronto, Canada focusing on international equities (Europe and Asia). He is a Chartered Accountant (CA, CPA) and Chartered Financial Analyst (CFA designation).

Mr. Abdulaziz Saoud Al Fulaij
Board Member

Mr. Al- Fulaij is a prominent businessperson in Kuwait, running his own company called "Abdulaziz Saud Al-Fulaij Establishment" he's actively involved in the social and community services and activities in Kuwait.

Abdul Ilah Mohammed Rafie Marafie
Board Member

Mr. Maarafie holds Diploma in Computer Science. He is presently the Chairman of the successful Maarafie Group and held several positions in the Maarafie Group of Companies. He was the Chairman & Managing Director of Watanyia Telecom KSC (Ooredoo) from May to Oct.1998. Since April 2005, Mr. Maarafie is the Chairman & CEO of First Hotels Co. KSCC.

Abdullah Mohammed Al Mansour
Board Member

Mr. Al-Mansour Holds bachelor degree in Accounting from Cairo University- Egypt. He held managerial roles in several banks like Commercial Bank of Kuwait CBK, Kuwait Finance House KFH and was a board member of several leading companies such as External Investments Company (1987-1994) National Investments Company (1990-1994), and Hotels Company (1988-2000), CapCorp Investment Company (2010-2013) and Vice President of Al-Aman Investment Company (2014-2017) and Chairman of the Board of Directors of Al-Aman Investment Company (2017-2020). Mr. Abdullah Al-Mansour is Board Member in Burgan Bank (2021 – 2022).

Mr. Rami Selim Al Baraki
Secretary of the Board

Mr. Rami Selim Al Baraki holds a Bachelor Degree of Commerce in Accounting from Mansoura University, Egypt. He is responsible for the group consolidated financial statements and applying the group's accounting policies and implementing international accounting standards. In addition, he takes care of gig's Capital Structure, Treasury, investment reporting and Takaful Unit Operations and recommends to the Board the Capital Structure type that the Company needs to have for both Short Term (working Capital) and Long Term purpose (capital investments) in line with gig's plans for future acquisitions and expansions. Mr. Al Baraki is also the group secretary of the board and a member of the Board of Directors of gig Egypt and Gulf Takaful Insurance Co.

2.2 Board Of Directors Meetings

The Board of Directors meetings take place by the attendance of the majority of the members, in the financial year ending in 31st of December 2022 (6) board meetings were held, where the meeting is held based on a written invitation from the Chairman of the Board of, the invitations and meeting agenda are sent out three working days prior to the meeting at the very least, in order to provide sufficient time to enable the members to review the topics raised and make proper decisions, in addition to this the article of association and incorporation of the group includes the means to organize the attendance of gig's board of the directors meetings, the following table summarizes the BOD meetings:

BOD members/ meetings	Annual Serial			1	2	3	4	5	6	No. Of Meetings
	Accumulated Serial									
	Designation/ Date	dependency/ independence	Executive / Non-Executive	403	404	405	406	407	408	
Farqad Abdullah Al -Sane	Chairman of the Board	KIPCO	Non-Executive	√	√	√	X	√	√	5/6
Faisal Hamad Al Ayyar	Member	KIPCO	Non-Executive	√	√	x	√	√	X	4/6
Khaled Saoud Al Hasan	Member	KIPCO	Executive	√	√	√	√	√	√	6/6
Abdullah Mohamad Al Mansour	Member	Independent	Non-Executive	√	√	√	√	√	√	6/6
Abdulaziz Saoud Al Fulaij	Member	Independent	Non-Executive	√	X	X	√	√	√	4/6
Abdulilah Mohammed Maarafie	Member	Independent	Non-Executive	√	√	X	√	√	√	5/6
Robert Quinn Mclean	Member	FAIRFAX	Non-Executive	√	√	√	√	√	√	6/6
Bijan Khosrowshahi	Member	FAIRFAX	Non-Executive	√	√	√	√	√	√	6/6
Jean Cloutier	Member	FAIRFAX	Non-Executive	√	X	√	√	X	√	4/6
Sheikha / Adana Nasser Al Sabah	New Member	Amaken	Non-Executive	X	X	√	√	√	√	4/6

2.3 Brief On The Mechanism Of Applying The Requirements Of Recording, Coordinating And Archiving The Board Of Directors' Minutes Of Meetings

The group has a special register for minutes of the Board of Directors meetings with annual serial numbers for the year in which the meetings took place, noting the meeting location, date and the start and end times, in addition to the preparation of discussed and deliberated minutes, including the voting that took place, compiled, and recorded to facilitate reference.

In addition to this, the group has a secretary that was appointed by a Board of Directors resolution with a clear tasks and responsibilities list, approved by the Board of Directors and in compliance with the Capital Markets Authority requirements.

2.4 Independent Members Of The Board Of Directors

Gulf Insurance Group considers the independency of the members of the board as a key feature towards a sound Corporate Governance, the standards of independency at GIG is in compliance with the regulations and reflects the best application of resolution No. (72) Of 2015 regarding issuance of the executive by laws of law no. (7) Of 2010 and its amendments regarding the establishment of the Capital Markets Authority and regulating securities activities – Book (15) Corporate Governance.

Based on that, the Board of the Directors include non-executive and independent members, in addition to this the Nomination and Remuneration Committee reviews the independency of those members periodically to ensure that the independency condition prevails according to the independency conditions of the Group, which is approved by the Board of Directors and is in accordance with regulatory requirements.

Rule 2: Brief on the proper identification of the roles and responsibilities of the Board of Directors and the Executive Management

3. Brief On The Proper Identification Of The Roles And Responsibilities Of The Board Of Directors And The Executive Management

The Group has a clear segregation of functions between the Board of Directors and the Executive Management, which guarantees full independency, in order for the Board of Directors to be able to carry out their responsibilities effectively.

3.1 Brief On The Group's Mechanism In Setting Roles, Responsibilities, And Obligations For Each Of The Board Of Directors And The Executive Management Members, As Well As The Powers And Authorities That Are Delegated To The Executive Management

The Group has clearly specified the tasks and responsibilities for the Board of Directors and Executive Management in the approved policies and regulations in which reflects the balance between authorities and powers between the Board of Directors and the Executive Management.

However, the final liability of the company remains on the Board of Directors, even if it initiates committees and authorize other entities or individuals to execute some of its tasks.

3.1.1 Roles and responsibilities of the Board of Directors

Board roles and responsibilities include, for example without limitation:

1) Approving company major goals, strategies, plans and policies, for example, at the minimum:
a. The company comprehensive strategy, main work plans, reviewing and directing the same.
b. Company ideal capital structure and financial goals.
c. Apparent policy for profits distribution of various types (cash/ non-cash) so that shareholders' and company's interests are accomplished.
d. Performance goals, execution pursuing and company comprehensive performance.
e. Company organizational and employment structures and periodic review thereof.
2) Acknowledging annual estimated budgets and approving phase and annual financial information.
3) Supervising company main capital charges, assets ownership and disposing of the same.
4) Ensuring the company's commitment with policies and procedures that procure the company's compliance with internal applicable rules and regulations.
5) Safeguarding accuracy and validity of the data and information to be disclosed in accordance with applicable disclosure and transparency policies and rules.
6) Constructing effective communication channels that enable the company shareholders periodic and continuous access to company various activities and any essential developments therein.
7) Setting corporate governance system - without these rules - general supervision thereof and monitoring how effective it is and amending the same, if necessary.
8) Pursuing performance of each Members of a Board of Directors and executive management member subject to Key Performance Indicators (KPIs).
9) Preparing annual report to be cited in the annual general assembly including the requirements and procedures of completing corporate governance rules and commitment degree thereof. However, this report shall be included in the annual report of company activities and showing the complied and non-complied rules and excuses for the same. Such report shall be prepared as a minimum pursuant to Appendix 2 of this Module.
10) Forming specialized committees where period, powers and responsibilities of the committee are clarified and how the Board shall monitor it. Formation resolution shall also include titles of members and determining their roles, rights and duties. This is in addition to assessing performance and works of the committees and their main members.
11) Ensuring that company certified policies and conditions are transparent and clear so that resolutions' taking and wise governance principles are applied. This in addition to separating powers and authorities of both the Board of Directors and executive management. In this regard, the Board shall:
a. Approve internal rules and regulations concerning the company work and development, and any subsequent roles, specializations, roles and responsibilities amongst different organizational levels.
b. Approve authorization and execution policy of executive management assigned works.
12) Determine the powers authorized to executive management, resolution taking actions and authorization term. The Board shall also specify issues which it shall keep power to resolve. Periodic reports shall be referred to executive management in regard of its practicing the authorized powers.
13. Audit and supervise performance of executive management members and procuring their accomplishment of all assigned roles so that the Board can:
a. Ensure that executive management work is in accordance with policies and conditions approved by the Board.
b. Hold periodic meetings with executive management to discuss work issues and challenges as well as presenting and discussing important information in regard of the company's activity.
c. Set performance measures for executive management consistent with company goals and strategy.
14. Determine the remuneration categories to be given for employees such as fixed remuneration category, long term risks and performance remunerations and Shares-like remuneration category.
15. Appoint or remove any of executive management members including executive agency chairman or his representative.
16. Set a policy for regulating relationship with Stakeholders to protect their rights.
17. Set a mechanism to regulate dealings with Related Parties to avoid conflicts of interest.
18. Periodically ensure the applicable internal audit systems' efficiency and sufficiency in the company and Subsidiary Companies thereof, for example:
a. Ensuring validity of financial and accounting systems including those relate to financial reporting preparation.
b. Procuring the application of sound audit rules for risk measuring and management, through determining scope of risks that may face the company and constructing appropriate environment of risk prevention culture all over the company and presenting the same transparently with Stakeholders and Related Parties.
19. Develop a plan/policy for integrating Sustainability factors in the company's comprehensive strategy, main work plans, and the risk assessment and management process if required.

3.1.2 Chairman Of The Board And Chief Executive Officer Of The Group

The roles and responsibilities of the Chairman of the Board of Directors and the Group Chief executive officer are clear and fully segregated, in addition to that both jobs are independent from one another, and there is a clear segregation of the roles and responsibilities assigned to each of these positions.

3.1.3 The Board Chairman's Roles And Responsibilities

The Chairman of the Board of Directors is liable for sound and effective performance of the Board in an efficient and effective manner, including members of the Board of Directors and independent members' obtaining full and correct information in a timely manner, the roles and responsibilities of the Chairman of the Board of Directors include but not limited to the following:

1) Ensure that the Board discusses all relevant topics effectively and timely.
2) Represent the Group in front of other as the article of association states.
3) Encourage all Board of Directors Members to participate fully and effectively in carrying out the Board of Directors affairs in a way that assures the best interest of the group.
4) Ensure effective communication between the shareholders and the Board of Directors.
5) Encourage constructive relationships and effective participation of the Board of Directors, Executive Management and of the executive and non-executive members.
6) Create a constructive criticism concerning issues of different points of views amongst Board of Directors Members.

3.1.4 The Executive Management's Roles and Responsibilities

The Executive Management of the Group consists of a group of individuals who have been entrusted with performing the day to day operations of the Group. The primary role entrusted to the executive management is the following:
• Executing the Group's strategic plans, the policies and internal regulations relating to it and ensuring its adequacy and effectiveness.
• Full responsibility towards the overall performance of the Group and its results through establishing management structure that promotes accountability and transparency.

The following are some of the roles and responsibilities of the Executive Management that should be complied with, in light of the powers and authorities delegated to them from the Board of Directors:

1) Execution of all the internal policies and regulations approved by the Board of Directors.
2) Executing strategies and annual plans approved by the Board of Directors.
3) Preparing periodical reports (financial and non-financial) concerning the achieving growth of the Group's activity in light of the Group strategic plans and goals and submitting these reports to the Board of Directors.
4) Set integrated accounting system that maintains ledgers, records and accounts that reflects accurately and in details the financial statements, which enables maintaining the Group's assets and preparing financial statements according to the international accounting standards.
5) Managing day to day work and activity facilitation, as well as managing the Group's resources optimally and working on increasing profits and reducing expenditures and that is in accordance to the goals and strategies of the Group.
6) Effective contribution in the establishment and development of ethical value standards in the Group.
7) Implementing internal control and risk management systems and ensuring its effectiveness and adequacy, while taking into account and complying with Group's risk appetite that is approved by the Board of Directors.

3.2 Achievements Of The Board Of Directors During The Year

The Board of Directors accomplished several achievements during the year ending in 31/12/2022 with regards to the corporate governance practices, the most prominent of these achievements (for an example but not limited to, and while taking into consideration that all achievements has been displayed in details in other sections of the annual report) are as follows:
• Review the company's goals, strategies, plans and policies.
• Approval of the estimated annual budget, the quarterly and annual financial statements.
• Implementing the corporate governance system and monitoring the effectiveness of its implementation in accordance with the Capital Markets Authority Law.
• Supervising the performance of the Executive Management team.
• Implementing the mechanism for dealing with related parties and eliminating conflict of interest.
• Ensuring the effectiveness of internal policies and the general framework for risk management on a periodic basis.
• Reviewing and approving the company's policies and procedures.

3.3 Brief On The Board Of Directors Formation Of Specialized Independent Committees

The committees are formed and their members are appointed by the Board of Directors after each election cycle for the Board, The initiated committees from the Board of Directors are considered the link between the executive management and the Board of Directors, The purpose of the formation of these committees is to enable the board to perform their roles effectively.

gig's BOD has five main committees as follows:

1) The Audit Committee (the date of composition and appointment of the members of the committee is 23/03/2020, also the committee's duration is three years starting the day of the formation in order to be in align with the board's validation period).

2) The Risk Management Committee (the date of composition and appointment of the members of the committee is 23/03/2020, also the committee's duration is three years starting the day of the formation in order to be in align with the board's validation period).

3) The Governance Committee (the date of composition and appointment of the members of the committee is 23/03/2020, also the committee's duration is three years starting the day of the formation in order to be in align with the board's validation period).

4) The Nomination & Remuneration Committee (the date of composition and appointment of the members of the committee is 23/03/2020, also the committee's duration is three years starting the day of the formation in order to be in align with the board's validation period).

5) The Executive & Investment Committee (the date of composition and appointment of the members of the committee is 23/03/2020, also the committee's duration is three years starting the day of the formation in order to be in align with the board's validation period).

The Board of Directors has approved a specified charter for each committee which include the specification of the committee's roles, the duration and authorities assigned during this period and how the board will monitor them, in addition to this, the specification of the roles and authorities that has been delegated to the committees by the Board of Directors.

3.3.1 The Board Audit Committee

The Group is fully convinced that the existence of an independent Audit Committee is a key factor for applying proper corporate governance rules, the Audit Committee ensures consolidating of the commitment culture within the Group, this is achieved through ensuring the soundness and integrity of the financial statements of the group, in addition to ensuring the sufficiency and effectiveness of the internal control systems applied by the Group.

The Board Audit Committee at Gulf Insurance Group enjoys full independence, in addition to this, all of its members are of specialized experiences.

The Board Audit Committee consist of three members, two of them are independent members & the chairman of the committee in an independent member, the Group Internal Audit senior manager attends the meetings in addition to the representative of the external auditor whom attends these meetings on periodic basis.

The Board Audit Committee oversees the audit matters on behalf of the Board, therefore the committee has a responsibility to satisfy that the internal audit is being conducted with proper professionalism and that its scope of work is appropriate.

The Board Audit Committee meetings are held taking into account the time consideration of the issuance of the Group financial reports to the external parties, and the meetings are held not less than four times a year.

3.3.1.1 Roles and Responsibilities of the Board Audit Committee

The roles and responsibilities of the Board Audit Committee include but are not limited to the following:

1) Review the financial statements periodically before submitting to the Board of Directors, and submit its opinions and recommendations in this regard to the Board of Directors and ensure transparency and fairness in the financial reports.

2) The Board audit committee shall submit its recommendations to the board regarding appointment and reappointment of external auditor, as well as determining and changing their fees, taking into account when recommending, that independence is ensured and reviewing their engagement letter.

3) Monitoring the external auditor's performance, to ensure that they are not providing services to Group except for services required by the audit profession.

4) Consider the external auditor's observations regarding the financial statements and following-up on its status.

5) Consider the accounting policies followed and provides its opinion and recommendation to the board regarding it.

6) Evaluate the adequacy of the internal control systems in the Group and prepares a report including the opinion and recommendation of the committee in this regard.

7) Supervising the internal audit department in the Group in order to verify the extent of its effectiveness in preforming its prescribed duties defined by the Board of Directors.

8) Recommend the recruitment, shifting and termination of the chief internal auditor, and evaluate his performance and the performance of the internal audit department.

9) Revision and adaptation of the proposed audit plan, which is prepared by the internal auditor and provides its opinion on the same.

10) Reviewing the results of internal audit reports, and ensures that the corrective procedures have been taken regarding the observations which are contained in the report.

11) Reviewing the results of the regulatory authorities reports, and ensures that the necessary procedures have been taken in this regard.

12) Ensure the Group is complying with the regulations, policies, and instructions that are of relation to it.

3.3.1.2 Number Of The Board Audit Committee Meetings During 2022

The committee was held four times during 2022 as follows:

Committee members/ meetings	Annual Serial	1	2	3	4
	Accumulated Serial	63	64	65	66
	Designation/ Date	20/2/2022	10/5/2022	10/8/2022	10/11/2022
Abdul Ilah Mohammed Rafie Marafi	Chairman of the Committee	√	√	√	√
Jean Cloutier	Member	√	√	√	√
Abdullah Mohammed Al Mansour	Member	√	√	√	√
Mohamed Ahmed Ibrahim	Group Senior Manager - Internal Audit Department - BAC Secretary	√	√	√	√

3.3.1.3 An Overview Of The Board Audit Committee Achievements During 2022

- Review periodic and annual financial statements to ensure their soundness and integrity, and refer them to the Board for approval.
- Make recommendations to the Board on the appointment of external auditors and monitor their performance.
- Study accounting policies and provide recommendations to the Board.
- Evaluate the efficiency and effectiveness of the internal control system and prepare a report thereto.
- Review the internal audit report and make recommendations.
- Review and discuss the internal audit's annual plan for the current year.
- Ensure the company's compliance with related laws, policies and instructions and review the reports of the regulatory authorities.
- Appointing an independent auditor to prepare the Internal Audit Report for 2022 in line with the CMA's requirements in relation to corporate governance.
- Prepare the Internal Audit Report and present it to the Board for approval and reading at the company's General Assembly.
- The committee also reviewed the report of the independent audit office regarding reviewing the quality of internal audit work in the group every three years in accordance with The Capital Market Authority's instructions in this regard, which submitted its report, and its technical opinion indicated the management's commitment to international internal auditing standards and best professional practices and the use of automated solutions in management operations .
- Review the new accounting policies related to the new IFRS no. 9 & 17.

During 2022 the Audit Committee has assessed the adequacy of the internal control systems applied by the company, the Committee has considered that the internal control systems applied is sufficient to verify the impact of the risks which the company is exposed to.

3.3.2 Board Risk Management Committee

The Risk Management Committee oversees and verifies that the management is implementing the Group's strategy with regard to the risk management framework and applies consistent risk management activities of identifying, measuring, monitoring, and controlling all types of risks faced by the Group and ensuring its capital adequacy. In addition, the Committee escalates key issues to the board to assist in the implementation of its responsibilities towards risk management.

The Risk Management Committee consists of three members, two of them are independent members of the Board of Directors, including the chairman of the committee.

3.3.2.1 Roles and Responsibilities of the Board Risk Management Committee

The Risk Management Committee shall be responsible for but are not limited to:

- Preparing and reviewing the strategies and policies of risk management before being approved by the Board of Directors and ensuring the execution of these strategies and policies and that the same is consistent with the nature and size of the Group's activity.
- Providing sufficient resources and adequate systems for the risk management department.
- Evaluating the systems and mechanisms for identifying, measuring and monitoring various risks that the Group may be exposed to, in order to identify any areas of weakness.
- Assisting the Board of Directors in identifying and assessing the acceptable level of risk tolerance, to ensure that the Group does not breach this level after being approved by the Board of Directors.

• Reviewing the organizational structure of the risk management department and submitting its recommendations in this regard, prior to the Board of Directors' approval.

• Ensuring that the staff of the risk management department are independent from the activities that could result in exposing the Group to risk.

• Ensuring that the staff of the risk management department completely understand the risks surrounding the Group and working on increasing awareness of the employees regarding the risk culture.

• Preparing periodic reports regarding the nature of the risks the Group may be exposed to, and submitting the same to the Board of Directors.

• Reviewing the related issues raised by the audit committee which may have effect on the management of the Group's risks.

3.3.2.2 Number Of The Board Risk Management Committee Meetings During 2022

The risk management committee holds periodic meetings, at least four times a year, and when there is a necessity. All meeting minutes are recorded.

The committee held four meetings during 2022 as follows:

Committee members/ meetings	Annual Serial	1	2	3	4
	Accumulated Serial	44	45	46	47
	Designation/ Date	20/02/2022	10/05/2022	10/08/2022	10/11/2022
Abdul Ilah Mohammed Rafie Marafi	Chairman of the Committee	√	√	√	√
Jean Cloutier	Member	√	√	√	-
Abdullah Mohammed Al Mansour	Member	√	√	√	√
Ahmad Galal Ragab	Group Senior Manager - Group Actuarial and Risk Management - & the Committee Secretary	√	√	√	√
Ibrahim Said	Group Deputy Manager - Group Risk Management	√	√	-	-

3.3.2.3 Brief On The Board Risk management Committee Achievements During 2022

• The main objective of the Risk Committee is to assist the Board of Directors in setting suitable strategies and goals for risk management, and to make recommendations that are in line with the nature and size of the Group's activities.

• During 2022, the committee met four times via Microsoft Teams video conferencing, to supervise the latest risk management activities, monitor the performance, review the Group expansion strategies and ratify the key mitigation plans.

• The committee monitored closely the Group's key performance and risk indicators, credit ratings as well as the potential impact of Group acquisitions on capital, financial leverage and liquidity indicators.

• The committee reviewed the top risks of the Parent and each subsidiary on a quarterly basis and made recommendations to the ERM department and the management, when necessary.

• In line with best practices, business needs, efficiency and the regulatory requirements, the Risk Committee approved to split the Group Actuarial and Group ERM as two independent functions and approved the proposed additional resources in both functions.

• The committee reviewed and recommended to the Board the finalized Financial Authorities for approval.

• The committee ratified an initial version of the Group Reserving Handbook in order to unify the reserving practices across the group.

• During the year and in line with responsibilities of the BRC, the committee reviewed and ratified some related party transactions and raised them to the Board for final approval.

• With respect to the operational risks, the committee approved the Group IT Risk Assessment Project plan and ratified the IT Risk Management Framework and the Cyber Security Foundational documents, recommending the same to the Board for approval.

3.3.3 Board Corporate Governance Committee

Board Corporate Governance Committee specialized in corporate governance practices & its primary role setting a Corporate Governance framework and guideline and supervise its implementation and amend it, when necessary.

The Board Corporate Governance Committee consisting of three members: one of them is an independent member of the Audit Committee & headed by the Chairman of the Board of Directors.

3.3.3.1 Roles & Responsibilities of Board Corporate Governance Committee

The Board Corporate Governance Committee shall be responsible for but not limited to:

- Ensuring that the corporate governance standards and implementations are approved by the Board of Directors and are consistent with the requirements issued by the Capital Markets Authority regarding Corporate Governance Principles.
- Supervising the preparation and implementation of the corporate governance manual and reviewing and updating the same when necessary.
- Coordinating with the audit committee to ensure compliance with the corporate governance manual.
- Monitor any subjects relating to corporate governance and providing the Board of Directors (annually at least) with the reports and recommendations based on the committee's results.
- Prepare an annual report that includes the procedures and requirements regarding completion of the corporate governance rules and the extent of compliance with the same, and this report is to be included in the annual report of the Group's activity.

3.3.3.2 Number of the Board Corporate Governance Committee meetings during 2022

The Corporate Governance Committee holds periodic meetings, at least once a year, and when there is a necessity to hold one, it records all of its meeting minutes.

The committee was held during 2022 as follows:

Committee members/ meetings	Annual Serial	1
	Accumulated Serial	09
	Designation/ Date	08/02/2022
Farqad Abdullah Al Sanea	Chairman of the Committee	√
Abdullah Mohammed Al Mansour	Member	√
Khaled Sauod Al Hasan	Member	√

3.3.3.3 Brief On The Board Corporate Governance Committee Achievements During 2022

During 2022, the Board Corporate Governance Committee has provided several effective recommendations in order to establish a solid corporate governance framework within the Group's entities, for an example but not limited to the following:

1) Ensuring that the corporate governance standards and implementations are approved by the Board of Directors and are consistent with the requirements issued by the Capital Markets Authority regarding Corporate Governance Principles.

2) Supervising the preparation and implementation of the corporate governance manual and reviewing and updating the same when necessary.

3) Monitor any subjects relating to corporate governance and providing the Board of Directors (annually at least) with the reports and recommendations based on the committee's results.

4) Prepare an annual report that includes the procedures and requirements regarding completion of the corporate governance rules and the extent of compliance with the same, and this report is to be included in the annual report of the Group's activity.

3.3.4 Board Nomination and Remuneration Committee

The availability of professional experience and technical skills as well as the personal qualities and ethical standards in the nominated person for a membership in the Board of Directors or executive management, are considered the main cornerstones for the Group's financial soundness and an important aspect to prevent risks that the Group may be exposed to. Also, the equitable allocation of the remuneration attracts highly qualified and technical labor, as well as strengthening the concept of loyalty to the Group and accordingly maintaining qualified labor, motivating employees in all various levels to achieve the Group's objective and improve the Group's performance.

The Board Nominations and Remunerations Committee consist of three members, one of them is independent member from the Board & the Chairman of the committee is an independent member of the Board.

3.3.4.1 Roles and responsibilities of the Board Nomination and Remuneration Committee

The main roles of the committee (for example but not limited to) are as following:-

1) Recommending nomination and re-nomination for the membership of the Board of Directors, Board Committees and executive management, while taking into account not nominating any person who does not fulfill the regulatory requirements. Taking into account the number of attendance, quality and effectiveness of contribution of the members in the Board of Directors meetings, the performance of their duties and responsibilities.

2) Annual review of the requirements for appropriate skills, in order to attract applicants seeking to fill executive position as needed, studying and reviewing these applications.

3) Preparing job descriptions for the executive, non-executive and independent members.

4) Recommending independent members for nomination and re-nomination through election from the general assembly and ensure the existence of independence for the independent member in the Board of Directors.

5) Establishing a clear policy for the remuneration of the board members and senior executives.

6) The periodic review (annual) of the remunerations policy and evaluation of its efficiency in achieving the objectives expected from it, such as attracting and maintaining highly qualified and technical labor that improve the Group's performance.

7) Ensure that the appropriate level of training is provided to the board of director's members as well as the executive management members.

8) Preparing the corporate governance report on an annual basis that includes the total bonuses granted to members of the Board of Directors, executive management and managers, whether they are amounts, benefits or allowancec, of whatever nature, directly or indirectly, through the company or its subsidiaries.

3.3.4.2 Number Of Board Nomination And Remuneration Committee Meetings During 2022

The Board Nomination & Remuneration committee hold periodic meetings, at least once a year, and when there is a necessity to hold one, it records all of its meeting minutes.

The committee was held during 2022 as follows:

Committee members/ meetings	Annual Serial	1	2
	Accumulated Serial	08	09
	Designation/ Date	08/02/2022	14/04/2022
Abdullah Mohammed Al Mansour	Chairman of the Committee	√	√
Khaled Saoud Al Hasan	Member	√	√
Abdul Ilah Mohammed Rafie Marafi	Member	√	√

3.3.4.3 Brief In The Board Nomination And Remuneration Committee Achievements During 2022

During 2022, the Board Nomination & Remuneration committee has provided many effective recommendations in order to establish a solid corporate governance framework within the Group's entities, for example but not limited to the following:

1) Ensure the independency of the independent board members.

2) Recommend the approval of the detailed annual report structure for all remunerations given to the members of the Board of Directors and executive management.

3) Review the required technical skills for the BOD and executive management membership.

4) Review the conducted self-evaluation of BOD and executive management members and the initiated committees as well as provide recommendations (if any) to the Board of Directors for approval.

5) Ensure the adherence of both of the Board of Directors and Executive management members to the code of conducts charter and maintain the confidentiality of information.

6) Ensure the adherence of the members of the Board to the policies and procedures that avoid the misuse of material data and information.

7) Ensure the adherence of the Board of Directors and Executive Management members to the conflict of interests' guidelines and its procedures.

8) Ensure that introduction programs and workshops are provided to the Board of Directors and Executive Management members.

9) Review amendments made to the remuneration policy as well as the ratios in the updated policy and recommend its approval by the BOD.

10) Review the updated organizational structure and recommend its approval to the BOD.

11) Review of applications for nomination of membership of the board of directors of the group.

3.3.5 Board Executive and Investment Committee

The Board has delegated the following responsibilities to the Committee which held its meetings regularly and whenever it's necessary to be held, the committee comprises from five members: The Chairman, Vice Chairman, Chief Executive Officer and two Board of Director's members.

3.3.5.1 Responsibilities And Roles Of The Board Executive And Investment Committee

The main roles of the committee (for example but not limited to) are as following:-

1) Developing and recommending of the strategic plans that reflect the long-terms objectives and the Group's priorities to be presented to the Board of Directors to take the necessary decision.

2) Follow up and monitoring the implementation of the strategies and policies approved by the Board.

3) Monitoring of the operating and financial results against the plans and budgets.

4) Monitoring the quality and effectiveness of the investment process against objectives.

5) Prioritizing allocation of capital, technical and human resources.

6) Ensuring the existence of efficient & effective management.

7) Monitoring the markets shares, trends and penetration.

8) Overseeing the persistence periodically and combined loss ratio, and to take the corrective actions on the right time.

9) Monitoring the implementation of Group expansion.

10) Monitoring the general position, performance of the Group's investments and its strategic investments in relation to investments in subsidiaries and associates.

11) Reviewing and monitoring the movements in the investment portfolio.

12) Following up & reviewing the investment portfolio diversification in light of the Group's investment strategy.

13) Discussing the proposals and recommendations presented by the Group's investment officers in light of the Group's investment strategy and raising its feedback to the Board for the necessary actions and approvals.

14) Monitoring the efficiency and quality of the investment process in light with the objectives and raising its feedback to the Board for the necessary actions and approvals.

3.3.5.2 Number of the Board Executive and Investment Committee meetings during 2022

The committee has held four meetings during 2022 as follows:

Committee members/ meetings	Annual Serial	1	2	3	4
	Accumulated Serial	85	86	87	88
	Designation/ Date	21/02/2022	11/05/2022	11/08/2022	13/11/2022
Farqad Abdullah Al -Sane	Chairman of the Committee	√	√	x	√
Faisal Hamad Al Ayyar	Member	√	x	√	x
Khaled Saoud Al Hasan	Member	√	√	√	√
Robert Quinn Mclean	Member	x	√	√	√
Bijan Khosrowshahi	Member	√	√	√	√
Sheikha / Adana Nasser Al Sabah	Member	√	√	√	x
Rami Selim Al Baraki	Secretary of the Board	√	√	√	√

3.4 Brief On The Mechanisms That Allow The Board Of Directors Members To Have Access To Information And Data In An Accurate And Timely Manner

Gulf Insurance Group has an effective and clear mechanism in regards to providing integral, clear and timely information to members of the Board of Directors in general and to non-executive and independent members in specific.

In addition to this, the Group pays much attention to developing the infrastructure for information technology related to issuing reports, in order to assure quality and accuracy of the information, as the availability of timely information and in an accurate manner is key element in assisting the Board of Directors members in the decision making process.

Rule 3: Brief on the mechanisms of selecting candidates nominated for the membership of the Board of Directors and the Executive Management

4. Brief On The Mechanisms For Selecting Candidates Nominated For The Membership Of The Board Of Directors And The Executive Management

The Group has clear mechanisms regarding the selection of the Board of Directors and executive management members, the nomination & remuneration committee holds a critical role in the selection process to ensure the selection of qualified Board of Directors and executive management members.

Gulf Insurance Group's efficiency and integrity guidelines represents the minimum requirements that should be available in the candidate members, this guidelines has been prepared in accordance with global best practices and in compliance with the regulatory requirements, the Nomination & Remuneration Committee also reviews the required skills for the Board of Directors membership as well as the Executive Management on annual basis.

4.1 Brief On Applying Of The Board Nomination And Remuneration Committee Formation Requirements

In addition to what was mentioned, the Board nomination and remuneration committee is in compliance with regulatory requirements in terms of composition, meetings and the implementation of assigned roles (for example but not limited to):

- Verify that all candidates fulfill regulatory requirements, while taking into account the number of times they have attended, the quality and effectiveness of the participation of the candidate in meetings, in addition to performing their roles and responsibilities.
- Prepare and review job descriptions for executive, non-executive and independent members.
- Verify the independency of the independent members on a regular basis.
- Prepare a clear policy for the Board of Directors and executive members' remuneration and review it when required.
- Preparing annual reports that contain overall remunerations granted to Board Members and the Executive Management.
- Review the required competencies needed for the Board and Executive Management membership on regular basis.
- Review the performance evaluation of the Board of Directors and Executive Management members as well as the initiated committees on regular basis.
- Ensure that there are no conflict of interest's situations for the members of the Board of Directors on regular basis.
- Ensure that proper level of training and orientation are provided to the members of the Board of Directors and Executive Management on regular basis.

4.2 Report Of The Remunerations Given To The Board Of Directors And Executive Management Members

4.2.1 Board Of Directors Members Remunerations:

The following table displays the Board Of Directors remunerations in 2022 & The proposed remunerations are subject to the approval of the general assembly.

Remunerations and benefits of Members of Board of Directors							
Total number of members	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)		Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)	
	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly salaries (total of the year)	Annual remuneration	Committees' remuneration
10	1,107	185,000	65,000	-	-	16,000	-

4.2.2 Executive Management Remunerations:

The remuneration system for the Executive Management is linked to the company's performance and the achievement of long-term growth goals. It is in line with the size, nature and level of risk related to each position. The remunerations include a fixed category that includes salaries, bonuses and other incentives, as well as a variable category that includes variable bonuses.

The following table displays the Executive Management remunerations in 2022

Total remunerations and benefits granted to five senior executives who have received the highest remunerations. This is in addition to the Chief Executive Officer and the financial manager or their deputy, if not included *														
Total executive positions	Remunerations and Benefits through the parent company							Remunerations and Benefits through the subsidiaries						
	Fixed remuneration and benefits						Variable remuneration and benefits	Fixed remuneration and benefits						Variable remuneration and benefits
	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportations allowance	Children's education allowance	Annual remuneration
13	796,530	11,903	12,426	9,000	17,800	-	437,350	-	-	-	-	-	-	-

4.2.3 No substantial deviations from the remuneration policy approved by the Board of Directors.

Rule 4 :Brief On The Verification Mechanisms Of The Soundness And Integrity Of Financial Reports

5. Brief On The Verification Mechanisms Of The Soundness And Integrity Of Financial Reports

The soundness of the financial statements of the Group is one of the important indicators of the Group's integrity and credibility in presenting its financial position, therefore, it boosts investor's confidence in the information provided by the group, which enables shareholders in practicing their rights, for this reason, the Group has prepared clear mechanisms to ensure the soundness and integrity of its statements.

5.1 Verifying The Integrity Of The Financial Reports (Written Undertakings):

- The Executive Management undertakes to the Board of Directors that the financial reports are provided soundly and fairly, and that they present all financial aspects of the Group, also that they are prepared in accordance with the International Accounting Standards approved by the Capital Markets Authority as well as other regulatory authorities, and that the Executive Management is fully responsible for the soundness and accuracy of those information
- Similarly, GIG's Board of Directors undertake to the shareholders and the investors that the financial statements soundly, fairly and in an accurate manner.

5.2 Brief On Applying The Board Audit Committee Formation Requirements

In addition to what was pointed out, the Board audit committee is in compliance with the regulatory requirements in terms of composition, meetings and implementing the assigned roles and responsibilities (for example but not limited to) the following:

- The Committee reviewed the periodic financial statements before submission to the Board of Directors, and provide such Board with opinions and recommendations in order to ensure the fairness and transparency of the financial statements.
- The committee has evaluated the adequacy of the internal control systems applied within the Group and prepared reports of their opinion and suggested recommendations.
- The committee supervised the internal audit department in order to assure their efficiency in implementing roles and responsibilities assigned to them.
- The committee reviewed and approved the annual audit plans by the internal auditor.
- The committee reviewed the outcomes of the internal audit reports, and ensure that corrective actions were adopted with regards to the observations in such reports.
- The committee ensured the Group's compliance with regulations, policies and procedures related to the business.
- The committee has verified the independency of the external auditors as well as reviewed the letter of their appointment.

5.3 There Are No Inconsistencies Between The Audit Committee's Recommendations And The Board Of Directors Decisions

There is has been no conflict between the audit committee's recommendations and the Board of Directors' decisions during 2022.

5.4 Ensure Independency And Neutrality Of The External Auditor

Gulf Insurance Group has a clear and approved policy regarding the selection and assignment of the external auditor in order to ensure independency and neutrality of the external auditor.

During 2022, the audit committee has validated the independency and neutrality of the external auditor in accordance with the conditions stated on the internal policies and regulations of the Group, which in return is in compliance with the requirements of the regulatory bodies, for example but not limited to:

- Verify that the external auditor is independent from the Group and its Board of Directors, as well as verify that the external auditor does not perform other additional work for the Group within the scope of the audit review work which could compromise the neutrality or independency conditions.
- Ensure that the external auditors listed in the Capital Markets Authority register in order to be in compliance with all resolution related to the CMA regarding the registration of external auditors.

- The external auditor has attended the Board audit committee meetings to discuss his recommendations with the audit committee before submitting the financial statements to the BOD for approval, the committee meets with the external auditor on regular (quarterly) basis during the year.
- Verify that the external auditors granted permission to attend the general assembly meetings and recite their report to the shareholders.

Rule 5: Development Of Sound Risk Management And Internal Control System

6. Brief on the Board Risk Management and Internal Control Frameworks and Systems in the Group

There are multiple functions of governance and control within Gulf Insurance Group, which assists in ensuring that the risks has been fully identified and managed in a proper manner, in addition to ensuring that the internal control is implemented and is efficiently functioning, the term used for this type of coordination approach is called "Integrated Assurance" or "the three lines of defense".

The concept of "Integrated Assurance" enables management in handling responsibility and it boosts confidence in ensuring that risks has been identified, in addition to that, mitigation procedures has been implemented, according to the illustrated below:

Audit Committee	Board Of Directors	Risk Committee
1st Line (Management)	Involved in day to day internal controls & risk management - Follow an internal controls & risk management process - Apply internal controls & risk responses	External Audit
2nd Line (Risk) (Compliance)	Oversee & challenge controls & compliance & risk management process - Provide guidance & direction- Develop enterprise risk management framework	
3rd Line (Internal Audit)	Review 1st & 2nd lines - Provide an independent perspective & challenge the process - Objective & offer assurance	

The Board of Directors are primary responsible for supervising the verification activities, and although each verification function is assigned its own specific roles, each of these functions coincide and integrate with one another during the exchange of information, planning process and other relevant activities.

6.1 Brief On The Group's Independent Risk Management Department Establishment Requirements

The Group has an independent department for risk management according to its organizational structure. The risk management department primarily works on identifying, measuring, monitoring, and mitigating all types of risks that the Group might face, according to the following examples (but not limited to):

- Developing effective systems and procedures of risk management, so that it can perform its key functions thereof, which are measuring and monitoring all types of risks exposed to the Group, this process should be conducted periodically and amended as necessary.
- Developing the mechanisms of periodic reporting system, as they are considered one of the most important methods in the process of risk monitoring and mitigation.

Risk management officers in the Group are independent through their direct affiliation to the Board Risk Management Committee. Moreover, they have authorities that enable them to execute their roles as efficient as possible, without them being assigned financial powers or authorities.

The risk management department has a wide range of competent personnel, with practical skills and technical capabilities aligned to the insurance industry requirements.

6.2 Brief On Applying The Group's Board Risk Committee Formation Requirements

In addition to what was mentioned in (3.3.2.1), the risk management committee is in compliance with the regulatory requirements regarding composition, meetings and implementing their assigned roles and responsibilities (as an example but not limited to):

- The preparation and revision of risk management policies and strategies before being approved by the Board of Directors and ensuring the execution of these strategies and policies and that the same is consistent with the nature and size of the Group's activity.
- The provision of sufficient resources and adequate systems for the risk management department.
- The evaluation of systems and mechanisms for identifying, measuring, and monitoring the various types of risk that the Group may be exposed to, in order to identify any areas of weakness.
- Assisting the Board of Directors in identifying and assessing the acceptable level of risk tolerance, to ensure that the Group does not breach this level after being approved by the Board of Directors.
- Verification that the risk management employees are independent from activities that could result in exposing the Group to risks.

6.3 Brief On The Group's Internal Control Systems

In addition to what was mentioned regarding efficient assurance techniques and the three lines of defense methodology applied by the group, the group also has internal control systems that covers the group's activities, and the group organizational structure takes into consideration the double check concept "Four Eyes Principle" which are as follows:

- Sound identification of authorities and powers.
- Entire segregation of roles and elimination of conflict of interests.
- Double checking and monitoring.
- Dual signature.

6.4 Brief On The Group's Independent Internal Audit Department Establishment Requirements

The group has an internal audit department that enjoy full technical independence according to the organizational structure of the group, the group internal audit department is directly affiliated to the Board Audit Committee and accordingly to the Board of Directors.

The Group internal audit department prepared reports including review and evaluation of the internal control systems applied within the group, including the following (for an example but not limited to):

- Procedures of control and supervision of efficiency and effectiveness of the internal control systems necessary to protect the group's assets, soundness financial statements and the efficiency of its administrative, financial and accounting operations.
- Compare development of risk factors within the group and existing systems in order to evaluate the effectiveness of the daily operations and the ability to encounter the unforeseen market change.
- Evaluate the executive management performance in applying internal control systems.

Rule 6: Brief On The Mechanisms Of Promoting And Enhancing The Culture Of Code Of Conduct And Ethical Values

7. Brief on the Mechanisms of Promoting and Enhancing the Culture of Code of Conduct and Ethical Values

Reinforcing the culture of code of conduct and ethical values within the group is a primary pillar for the group business implementation, therefore, the group pays much attention to the necessity of ensuring the adherence of all employees whether BOD members, executive management members, or other personnel to the internal policies and regulations and to the legal and regulatory requirements, through reviewing the code of conducts charter, in addition to the mechanisms that avoid conflict of interests, as we are confident that it will lead to the accomplishment of the stakeholders best interests, specifically shareholders, in a significant extent of transparency.

7.1 Brief On The Business Charter Includes Determinants Of Code Of Conduct And Ethical Values

The group reviews and updates the approved code of conducts on periodic basis in order to assure it covers all determinants that define the group ethical values and standards, in addition to assuring its compliance with regulatory requirements, all members of the board and executive management signed the annual 2022 acknowledgment regarding adhering to the code of conducts.

7.2 Brief On The Policies And Mechanisms To Reduce The Conflict Of Interest Cases

The group has a clear defined policy that limits the conflict of interest cases, approved by the Board, during 2022, all members of the Board and executive management signed the annual conflict of interest's acknowledgement, and It's worth to mention that the group signed a credit facilities contract with a related party - Burgan Bank, with a value which is more than 5% of the Group›s total assets, and it was reviewed by an independent investment advisor, and this contract was also disclosed with its details on 20 September 2022, as on the below link:

https://www.boursakuwait.com.kw/ar/news/view#60621

Rule 7 :Brief On The Disclosure And Transparency Mechanisms

9. Brief On The Disclosure And Transparency Mechanisms

The group fully realizes the importance of disclosure and transparency, as it is one of the key features of the methods of monitoring the group's activities and evaluating its performance, the group insisted on holding the transparency forum for several years, as well as ensure the development of disclosure and transparency mechanisms related to that matter, in addition to updating the disclosure records of the members of the Board and executive management.

8.1 Brief on Applying Accurate and Transparent Presentation and Disclosure Mechanisms, Which Sets Out Aspects, Areas and Characteristics of Disclosure

GIG has an approved guideline for disclosure and transparency procedures, which includes as an example but not limited to the following:

- Methods of disclosure of financial and non-financial information which is related to the group's financial position, performance and ownership.
- Methods of disclosing transparently all information and data on timely basis to all stakeholders without discrimination, provided that data and information are accurate, correct and not misleading.
- Classifying the disclosed information according to its nature (financial, non-financial), or time of disclosure in addition to the material information.

In addition to the above, the disclosure and transparency policies and procedures has been prepared in accordance with the best practices and in compliance with the regulatory requirements, the group reviews the disclosure and transparency policy on regular basis and updates it if necessary.

8.2 Brief on Applying the Disclosure Register Requirements of the Board of Directors and the Executive Management Members

The group had a specific register for the disclosure of the board and executive management members, including all transactions, acknowledgements that reflects the actual related parties' transactions, the register is available for shareholders without returns or fees, and the group updates this register periodically.

8.3 Brief on Applying the Investor Affairs Department Formation Requirements

The Group has a Corporate Communication and Investor Relations department, responsible for providing timely information and data to existing and potential investors. The department is considered reasonably independent (according to the Group's organization structure approved by the BOD) in a manner that allows it to provide hassle free, fair and transparent data, information and reports in an accurate and timely manner. Since 2012, the Department is ensuring a continuous and consistent dissemination of information through established methods of disclosure channels; for example but not limited to, the Group's corporate website, Investor Relations Tools, Annual General Meetings (AGM), Annual Report, Corporate Profile, Social Medias, Corporate Campaigns & Announcements etc.

9.4 Brief on How to Improve the IT Infrastructure and the Extent to Which it shall Significantly Relay in the Disclosure Process

The Group continuously thrives to create effective communication channels in order to stay connected with shareholders and other stakeholders. Therefore, during 2022 the Group has reviewed the website to ensure its alignment with the best practices, resulting to a complete revamp aligned with newly evolved GIG brand and is expected to be launched shortly. . All sections including our Investor Relations Tools on the website are further enhanced with latest technological advancements, which are displayed in a manner that assists shareholders, current and potential investors to practice their rights and evaluate the Group's performance from time to time. Additionally, we continued to successfully produce our Digital Annual Report as part of streamlining stakeholders' information in a more convenient way. We strive to take every step to further enhance the digital experience of our stakeholders by improving and applying all possible IT infrastructures.

Rule 8: Brief On The Mechanisms Of Protecting And Respecting Shareholders' Rights

9. Brief on the Mechanisms of Protecting and Respecting Shareholders' Rights

The corporate governance framework of the group ensures that all shareholders practice their basic rights fairly and equitably to ensure equal dealing with all shareholders, this was clearly stated in the article of association of the group, as well as its internal regulations, in addition to that, the group has reviewed the mechanism of shareholders participation in the general assembly meeting to ensure that all shareholders are encouraged to participate and vote in those meetings.

9.1 Brief on Applying Shareholders' Rights Identification and Protection in Order to Ensure Justice and Equality Among all Shareholders

The article of association of the group and its internal regulations clearly state the required procedures to ensure that all shareholders are practicing their rights in an equitable and fair manner, and in a manner that doesn't intervene with the bylaws and regulations issued with regards to this matter.

9.2 Brief on Creating a Special Register Kept at the Clearing Agency

The group has a special register that is kept at the Clearing agency, the register contains the names of the shareholders as well as their nationalities, their hometown and the total number of owned shares by each one of them, any updates is marked in the register accordingly.

9.3 Brief On How To Encourage The Shareholders To Participate And Vote In The Meetings Of The Group's General Assemblies

The group has an approved policies and procedures and is in compliance with regulatory requirements, it includes in details the mechanisms of participating in general assembly meetings and the procedures of holding the meeting as follows:

- Allow shareholders to effectively participate in the general assembly meetings, to discuss issues listed in the agenda and the inquiries related thereto concerning various aspects of the group's activities, and to ask questions to the members of the board and external auditor, provided that the BOD members and the external auditor answer such inquires in a manner that doesn't harm the group's best interests.
- It enables shareholders whom own 5% of the capital to add topics to the meeting agenda.
- Allow the shareholders to review all data in the disclosure register of the Board and executive management members.
- Issues presented to the general assembly shall be associated with sufficient information allowing shareholders' take decisions thereof properly.

With regards to the voting mechanisms, the group has issued an approved guidelines which is in compliance with regulatory requirements to ensure providing shareholders with equitable chances to vote, without any obstacles that could lead to voting prohibition, since voting is an inherent right for shareholders.

Rule 9 :Brief On The Mechanisms Of Protecting The Stakeholders' Rights

10. Brief on the Mechanisms of Protecting the Stakeholders' Rights

The group believes that stakeholders' contribution is a valuable resource in order to enhance its competitive ability and reinforce its profitability levels, therefore, it support all means of cooperation with stakeholders, for this purpose the group has issued a policy that ensures and recognizes stakeholders' rights as well as it encourages them to keep track of the group various activities.

10.1 Brief on the Stakeholders' Rights Protection and Recognition Policies

The group has established a set of policies which contains regulations and procedures that ensures and recognizes stakeholders' rights, it also enables them to receive compensation

In case of any violation of their rights occur, the policy is approved by the board in accordance to the issued bylaws in that regards, the group reviews these policies on a regular basis to ensure it is in alignment with the regulatory authorities requirements and updates these policies if necessary, as an example but not limited to the following:

- Compensation mechanisms in case of any party breaches that compromise their rights occur.
- Mechanisms for complaints or disputes settlement, which may arise between the stakeholders and the group.
- A clear mechanism for all types of purchasing and tendering settlement.

10.2 Brief on How to Encourage the Stakeholders to Participate in Keeping Track of the Group's Various Activities

The group has mechanisms and frameworks that ensures obtaining maximum benefits of stakeholder's contributions, as well as encourage them to keep track of the group activities, in a manner that is consistent with achieving their best interests.

One of these mechanisms is the whistleblower policy, this facilitates the stakeholders to inform the Board of Directors for any unfair committed by the group against them, while providing proper protection to the whistle blowers.

Rule 10 :Brief on the training mechanisms and their role in promoting and improving the performance of the Group

11. Brief on the Training Mechanisms and Their Role in Promoting and Improving the Performance of the Group

In order to enhance and reinforce the Board's performance, the group has evaluated the members of the Board and executive management through self-evaluation questionnaire, in accordance with the best practices, these evaluations are reviewed on annual basis by the Board Nomination & Remuneration Committee.

11.1 Brief on Applying of Requirements and Development of Mechanisms, Which Allow All Members of the Board and the Executive Management to Obtain Programs and Training Courses Regularly

The group has established a set of mechanisms that draw the interest of the members of the board and executive management to training aspects, through setting orientation programs for newly appointed members, as well as setting programs for training workshops and proper seminars that should assist the members in performing their assigned roles.

11.2 Brief on the Evaluation Process of the Performance of the Board of Directors as a Whole and the Performance of Each Member of the Members of the Board of Directors and the Executive Management

The group established a clear and approved policy regarding the evaluation of the members of the board, including set of performance measurements indicators in written and as clear as possible, during 2022, an evaluation of all board and executive management members has been performed, these evaluations has been reviewed by the nomination and remuneration committee.

11.3 Brief on the Efforts Made by the Board of Directors in Order to Promote Corporate Values among the Group Employees through Achieving the Strategic Objectives and Improving Performance Indicators

The Board of Directors works on values creation within the group, on short, medium and long terms, through developing mechanisms and procedures that assists in accomplishing the group's strategic objectives, as well as enhance performance levels in a manner that effectively contributes in the creation of corporate values for employees, it also encourages them to thrive to continuously maintain the group's financial soundness.

The group also works to continuously develop the internal integrated reporting system, in order to be more inclusive, as it assists members of the Board and executive management to take systematic and sound decisions, hence, achieve shareholders best interests

Rule 11 : Full focus on the concept of social responsibility

12. Full Focus on the Concept of Social Responsibility

Gulf Insurance Group is fully aware of its essential role in contributing to achieve a sustainable development of our staff, our shareholders, our customers and the societies in which we exercise our work. This is attained through committed focusing on the Group's corporate social responsibility in line with the established inclusive policy for social responsibility.

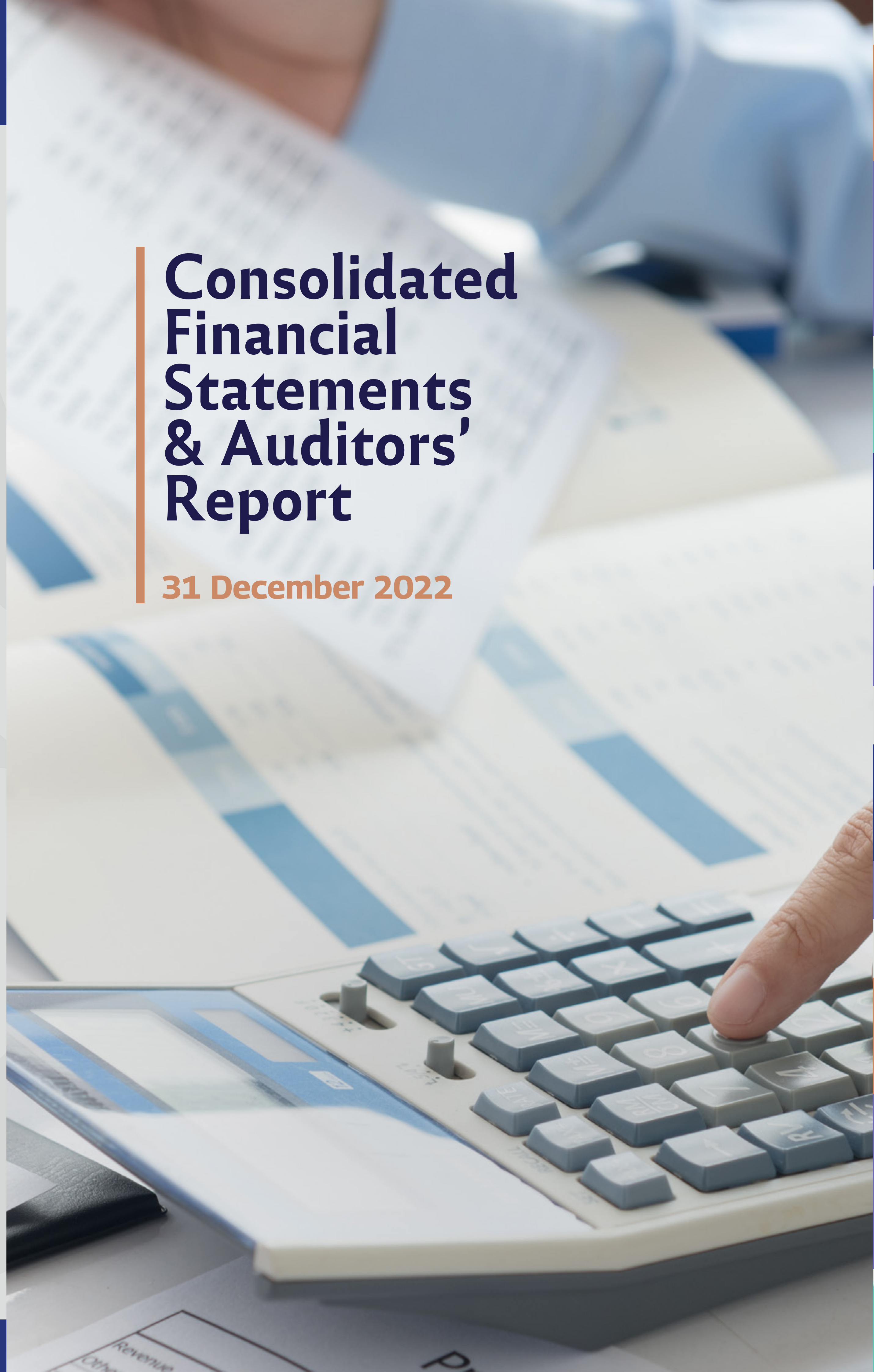
12.1 Brief on the Corporate Social Responsibility Policy for Achieving Balance among the Objectives of the Group and the Objectives of the Society

The Group's corporate social responsibility policy aims to enhance the living, social and economic conditions of the society in which it operates. The policy has been approved by the board and includes the following (for example but not limited to):

- Assist in providing job opportunities and create proper conditions for it.
- Support and encourage national labor, enhancing its efficiency and competitiveness.
- Support small enterprises and open new prospects serving different categories of the society.
- Design Group's activities in a manner that compliments the cultural and economic situation of the society.
- Assist in limiting pollution and other environmental related damages.
- Provide training programs to develop capacity of targeted groups in the society.
- Contribute in reducing the damages of a negative phenomenon that prevailing in the society, and take voluntary charitable initiatives.

12.2 Brief on the Applied Programs and Mechanisms, Which Can Help in Highlighting the Group's Efforts in the Field of Social Work

In addition to what was mentioned before regarding the Group's efforts in the social field, the Group has also established mechanisms that discloses the social objectives which the Group aims to accomplish for its employees, as well as it discloses all plans set for corporate social responsibility achievement. The Group also prepares periodic reports on such related activities to review the developments and to decide on the changes required if any.



Consolidated Financial Statements & Auditors' Report

31 December 2022

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

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

Independent Auditor's Report to the Shareholders of Gulf Insurance Group K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (Collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements*' section of our report, 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 financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

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

Independent Auditor's Report to the Shareholders of Gulf Insurance Group K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements at 31 December 2022. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

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

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

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

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

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

Further, we assessed the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 12 and 13 to the consolidated financial statements.

Independent Auditor's Report to the Shareholders of Gulf Insurance Group K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Insurance and Reinsurance Technical Reserves

Insurance and reinsurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2022, the insurance and reinsurance technical reserves are significant to the Groups total liabilities. As disclosed in Notes 2.6 and 13 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities. The Group uses valuation models to support the calculations of the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

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

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

In addition, we have performed test of controls in place, checked the design and the operating effectiveness of key controls and assessed the validity of management's insurance technical reserve to obtain reasonable assurance that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the insurance technical reserve on a sample basis included assessing the accuracy of the historical data used, and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Further, we assessed the adequacy of the disclosures relating to these reserves given in Note 13 to the consolidated financial statements.

Independent Auditor's Report to the Shareholders of Gulf Insurance Group K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2022 Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report to the Shareholders of Gulf Insurance Group K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards.

Independent Auditor's Report to the Shareholders of Gulf Insurance Group K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

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

29 March 2023
Kuwait

Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	Notes	2022 KD 000's	2021 KD 000's (restated)*
Revenue			
Premiums written		**831,667**	548,498
Reinsurance premiums ceded		**(328,462)**	(280,648)
Net premiums written		**503,205**	267,850
Movement in unearned premiums reserve		**(28,940)**	21,362
Movement in life mathematical reserve		**(8,037)**	(5,353)
Net premiums earned		**466,228**	283,859
Commission income on ceded reinsurance		**44,339**	20,810
Policy issuance fees		**3,335**	2,956
Net investment income from designated life insurance	3	**1,450**	3,026
		515,352	310,651
Expenses			
Claims incurred	13	**319,076**	194,464
Commission and discounts		**63,008**	35,959
Maturity and cancellations of life insurance policies		**2,340**	4,118
General and administrative expenses		**45,360**	34,509
		429,784	269,050
Net underwriting income		**85,568**	41,601
Gain on remeasurement of a former associate from a step acquisition	6	**-**	25,787
Gain on bargain purchase from acquisition of subsidiaries	6	**-**	23,460
Impairment of goodwill	8	**-**	(3,933)
Net investment income	3	**30,933**	24,606
Finance costs		**(3,646)**	(2,566)
Amortization of intangible assets		**(4,305)**	(1,437)
Monetary Loss of hyperinflation	32	**(16,690)**	-
Net sundry income		**7,868**	6,766
		99,728	114,284
Other charges:			
Unallocated general and administrative expenses		**(49,651)**	(30,665)
PROFIT FOR THE YEAR BEFORE TAXATION AND DIRECTORS' REMUNERATION		**50,077**	83,619
Contribution to KFAS		**(480)**	(293)
NLST		**(807)**	(522)
Zakat		**(261)**	(161)
Taxation from foreign subsidiaries		**(5,297)**	(5,956)
Directors' remuneration		**(185)**	(185)
PROFIT FOR THE YEAR		**43,047**	76,502
Attributable to:			
Equity holders of the Parent Company		**38,182**	72,599
Non-controlling interests		**4,865**	3,903
		43,047	76,502
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**134.56 fils**	323.28 fils

*The prior year figures have been restated to reflect the impact of purchase price allocation (note 6).

The attached notes 1 to 32 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 KD 000's	2021 KD 000's (restated)*
Profit for the year		**43,047**	76,502
Other comprehensive loss for the year			
Items that will be reclassified to consolidated statement of income in subsequent periods:			
- Financial assets available for sale:			
Net unrealised loss on investments available for sale		**(1,962)**	(1,582)
Net realised gain transferred to consolidated statement of income on sale of investments available for sale	3	**(5,054)**	(4,958)
Transferred to consolidated statement of income on impairment of investment available for sale	3	**1,536**	647
		(5,480)	(5,893)
- Share of other comprehensive loss from associates	7	**(873)**	186
- Exchange differences on translation of foreign operations		**(11,861)**	(10,078)
		(18,214)	(15,785)
Items that will not to be reclassified subsequently to consolidated statement of income:			
Revaluation of property and equipment	5	**4,147**	113
Other comprehensive loss for the year		**(14,067)**	(15,672)
Total comprehensive income for the year		**28,980**	60,830
Attributable to:			
Equity holders of the Parent Company		**26,334**	59,699
Non-controlling interests		**2,646**	1,131
		28,980	60,830

*The prior year figures have been restated to reflect the impact of purchase price allocation (note 6).

The attached notes 1 to 32 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Notes	2022 KD 000's	2021 KD 000's (restated)*
ASSETS			
Property and equipment	5	**49,215**	47,497
Investment in associates	7	**41,655**	43,297
Goodwill	8	**33,233**	32,706
Intangible assets	9	**40,918**	45,771
Investment properties		**9,300**	10,493
Financial instruments:			
Investments held to maturity		**47,156**	51,221
Debt securities (loans)		**15,420**	10,435
Investments available for sale	10	**273,162**	261,749
Investments carried at fair value through profit or loss	11	**49,310**	48,469
Loans secured by life insurance policies		**481**	499
Premiums and insurance balances receivable	12	**235,095**	227,692
Reinsurance recoverable on outstanding claims and incurred but not reported	13	**151,897**	216,638
Other assets	14	**112,437**	70,860
Long term deposits	15	**66,196**	74,373
Cash and cash equivalents	16	**220,529**	231,601
TOTAL ASSETS		**1,346,004**	1,373,301
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**28,457**	28,457
Share premium	17	**50,947**	50,947
Treasury shares	17	**(429)**	(429)
Treasury shares reserve		**3,099**	3,099
Statutory reserve	17	**27,835**	23,843
Voluntary reserve	17	**38,416**	34,424
Effect of changes in ownership interest of Subsidiaries		**(2,837)**	(2,837)
Other reserve		**(637)**	(481)
Cumulative changes in fair value reserve		**(1,825)**	1,135
Foreign currency translation adjustments		**(47,392)**	(35,433)
Revaluation reserve		**17,738**	14,667
Retained earnings		**115,609**	95,809
Equity attributable to equity holders of the Parent Company		**228,981**	213,201
Subordinated perpetual Tier 2 bonds	18	**60,000**	60,000
Non-controlling interests		**75,832**	76,310
Total equity		**364,813**	349,511
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve and incurred but not reported reserve (gross)	13	**367,059**	432,931
Unearned premiums reserve (net)	13	**196,809**	167,596
Life mathematical reserve (net)	13	**56,572**	56,161
Additional reserve (net)	13	**2,601**	2,594
Total liabilities arising from insurance contracts		**623,041**	659,282
Premiums received in advance		**3,895**	3,216
Insurance payable	19	**191,297**	178,639
Other liabilities	20	**104,881**	107,169
Term loans	21	**58,077**	75,484
TOTAL LIABILITIES		**981,191**	1,023,790
TOTAL EQUITY AND LIABILITIES		**1,346,004**	1,373,301

*The prior year figures have been restated to reflect the impact of purchase price allocation (note 6).

Farqad A. Al-Sane
Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUIRT

For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company															
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Treasury share reserve KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Effect of changes in ownership interest of subsidiaries KD 000's	Other reserve KD 000's	Cumulative changes in fair value reserve KD 000's	Foreign currency translation adjustments KD 000's	Revaluation reserve KD 000's	Retained earnings KD 000's	Subtotal KD 000's	Subordinated perpetual tier 2 bonds KD 000's	Non-controlling interests KD 000's	Total equity KD 000's
As at 1 January 2022	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	(481)	1,135	(35,441)	14,667	73,441	190,825	60,000	66,471	317,296
Impact of purchase price allocation (Note 6)	-	-	-	-	-	-	-	-	-	8	-	22,368	22,376	-	9,839	32,215
As at 1 January 2022 (Restated)*	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	(481)	1,135	(35,433)	14,667	95,809	213,201	60,000	76,310	349,511
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	38,182	38,182	-	4,865	43,047
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(2,960)	(11,959)	3,071	-	(11,848)	-	(2,219)	(14,067)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(2,960)	(11,959)	3,071	38,182	26,334	-	2,646	28,980
Dividend paid (Note 17)	-	-	-	-	-	-	-	-	-	-	-	(9,931)	(9,931)	-	-	(9,931)
Interest on subordinated perpetual tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	(2,433)	(2,433)	-	-	(2,433)
Amortization of subordinated Tier 2 Bonds transactions costs	-	-	-	-	-	-	-	-	-	-	-	(126)	(126)	-	-	(126)
Movement in other reserve	-	-	-	-	-	-	-	(156)	-	-	-	-	(156)	-	92	(64)
Hyperinflation adjustments (Note 32)	-	-	-	-	-	-	-	-	-	-	-	2,092	2,092	-	16	2,108
Transfer to reserves	-	-	-	-	3,992	3,992	-	-	-	-	-	(7,984)	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,232)	(3,232)
As at 31 December 2022	**28,457**	**50,947**	**(429)**	**3,099**	**27,835**	**38,416**	**(2,837)**	**(637)**	**(1,825)**	**(47,392)**	**17,738**	**115,609**	**228,981**	**60,000**	**75,832**	**364,813**

*The prior year figures have been restated to reflect the impact of purchase price allocation (note 6).

The attached notes 1 to 32 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company															
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Treasury share reserve KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Effect of changes in ownership interest of Subsidiaries KD 000's	Other reserve KD 000's	Cumulative changes in fair value reserve KD 000's	Foreign currency translation adjustments KD 000's	Revaluation reserve KD 000's	Retained earnings KD 000's	Subtotal KD 000's	Subordinated perpetual tier 2 bonds KD 000's	Non-controlling interests KD 000's	Total equity KD 000's
As at 1 January 2021	18,704	3,600	(429)	3,099	18,704	29,285	(2,837)	-	3,588	(25,226)	14,907	54,008	117,403	-	27,928	145,331
Profit for the year (Restated)*	-	-	-	-	-	-	-	-	-	-	-	72,599	72,599	-	3,903	76,502
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	(2,453)	(10,207)	(240)	-	(12,900)	-	(2,772)	(15,672)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(2,453)	(10,207)	(240)	72,599	59,699	-	1,131	60,830
Issue of right shares	9,753	47,347	-	-	-	-	-	-	-	-	-	-	57,100	-	-	57,100
Issue of subordinated perpetual tier 2 bonds (Note 18)	-	-	-	-	-	-	-	-	-	-	-	-	-	60,000	-	60,000
Interest on subordinated perpetual tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	(374)	(374)	-	-	(374)
Movement in other reserve	-	-	-	-	-	-	-	(481)	-	-	-	-	(481)	-	15	(466)
Non- controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,353	47,353
Capital increase in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	812	812
Transfer to reserves	-	-	-	-	5,139	5,139	-	-	-	-	-	(10,278)	-	-	-	-
Dividend paid (Note 17)	-	-	-	-	-	-	-	-	-	-	-	(20,146)	(20,146)	-	-	(20,146)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(929)	(929)
As at 31 December 2021	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	(481)	1,135	(35,433)	14,667	95,809	213,201	60,000	76,310	349,511

*The prior year figures have been restated to reflect the impact of purchase price allocation (note 6).

The attached notes 1 to 32 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 KD 000's	2021 KD 000's
OPERATING ACTIVITIES			
Profit before taxation and directors' remuneration		**50,077**	83,619
Adjustments for:			
Depreciation of property and equipment and right-of-use assets		**3,005**	2,135
Amortization of intangible assets		**4,305**	1,437
Net provision for doubtful debts	12	**-**	11,811
Net investment income	3	**(32,757)**	(27,511)
Impairment losses of financial assets available for sale	3	**1,536**	647
Gain on remeasurement of a former associate from a step acquisition	6	**-**	(25,787)
Gain on bargain purchase from acquisition of subsidiaries		**-**	(23,460)
Impairment of goodwill	8	**-**	3,933
Share of results from associates	7	**(799)**	(427)
Change in fair value of investment properties	3	**(363)**	51
Finance costs		**3,646**	2,566
Monetary loss from hyperinflation		**16,690**	-
		45,340	29,014
Changes in operating assets and liabilities:			
Investments carried at fair value through profit or loss		**1,491**	(9,803)
Premiums and insurance balances receivable		**(7,403)**	(19,448)
Reinsurance recoverable on outstanding claims		**64,741**	95,912
Other assets		**(28,542)**	(21,134)
Liabilities arising from insurance contracts		**(41,319)**	(116,043)
Premiums received in advance		**679**	(9,837)
Insurance payable		**7,203**	4,305
Other liabilities		**(24,604)**	38,007
		17,586	(9,027)
KFAS Paid		**(293)**	(301)
NLST Paid		**(522)**	(313)
Zakat paid		**(161)**	(131)
Director's remuneration paid		**(185)**	(185)
Net cash flows from (used in) operating activities		**16,425**	(9,957)
INVESTING ACTIVITIES			
Acquisition of a subsidiaries, net of cash acquired	6	**-**	(966)
Purchase of property and equipment	5	**(5,361)**	(2,920)
Proceeds from sale of property and equipment		**465**	2,095
Additions on investment properties		**-**	(210)
Additions on investment in associates	7	**-**	(36)
Dividend received from associates	7	**969**	524
Movement in investment held to maturity		**4,065**	(1,744)
Movement in debt securities (loans)		**(4,985)**	4,889
Net movement on investments available for sale		**(9,982)**	(5,388)
Movement in loans secured by life insurance policies		**18**	367
Net movement in long term deposits		**8,177**	(3,156)
Interest income received		**20,841**	11,705
Dividend income received		**1,894**	1,280
Net cash flows from investing activities		**16,101**	6,440
FINANCING ACTIVITIES			
Proceeds from issuance of subordinated perpetual Tier 2 bonds	18	**-**	60,000
Proceeds from issuance of right shares	17	**-**	57,100
Term loans obtained		**-**	125,435
Term loans paid		**(17,407)**	(50,093)
Payment of lease liability		**-**	(439)
Dividends paid	17	**(9,931)**	(20,146)
Dividends to non-controlling interests		**(3,232)**	(929)
Finance costs paid		**(3,646)**	(2,566)
Capital increase in subsidiaries		**(2,700)**	812
Net cash flows (used in) from financing activities		**(36,916)**	169,174
Foreign currency translation adjustments		**(6,682)**	(5,394)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(11,072)**	160,263
Cash and cash equivalents at beginning of the year		**231,601**	71,338
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16	**220,529**	231,601

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 29 March 2023. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962 and is listed on Boursa Kuwait. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 46.32% (2021: 45.99%) owned by Kuwait Projects Company Holding K.S.C. and 43.69% (2021: 43.43%) by Fairfax Middle East Limited Company.

The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 40, Office No 1 & 2, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 3,831 employees as at 31 December 2022 (2021: 2,377 employees).

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost convention except for the measurement at fair value of investments carried at fair value through profit or loss, investments available for sale, investment properties and land and buildings.

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting 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.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022.Subsidiaries are investee that the Group has control over.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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's Company voting rights and potential voting rights

Gulf Insurance Group K.S.C.P. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

2.2 BASIS OF CONSOLIDATION (continued)

The Group re-assesses 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group 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 statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards did not have material impact on the financial performance or consolidated financial position of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)
In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets or liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standard interpretations which are effective for annual periods beginning or after 1 January 2023 have not been early adopted in the preparation of the Group consolidated financial statements. None of these are expected to have a significant impact on the consolidated financial statements of the Group except for the followings:

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During 2017, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2022. The Group intends to apply the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

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

During 2017, the Group performed an impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position, consolidated statement of income or consolidated statement of comprehensive income except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023 applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 (continued)

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

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

a) Classification and measurement

Financial Assets classifications	IAS 39	IFRS 9	
EQUITY INSTRUMENTS	AFS	FVOCI	The instruments that are currently classified as available for sale ("AFS") investments are financial instruments whose contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding and are held within a business model whose objective is not achieved both by collecting contractual cash flows and selling in the open market. Accordingly, such instrument will be subsequently measured at fair value through other comprehensive income ("FVOCI") upon the adoption of IFRS 9.
		FVTPL	The instruments that were classified as available for sale ("AFS") investments are held for selling or are managed on a fair value basis. Accordingly, such instrument will be subsequently measured at fair value through profit or loss ("FVTPL") upon the adoption of IFRS 9.
	FVTPL	FVTPL	The instruments that were classified as financial assets through profit or loss ("FVTPL") investments and carried at fair value. These instruments will be held for trading and are managed on a fair value basis. Accordingly, such instrument will be subsequently measured at fair value through profit or loss ("FVTPL") upon the adoption of IFRS 9.
DEBT INSTRUMENTS	AFS	FVOCI	The instruments that were classified as available for sale ("AFS") investments are those instruments whose contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding and will be held within a business model whose objective is achieved both by collecting contractual cash flows and selling in the open market. Accordingly, such instrument will be subsequently measured at fair value through other comprehensive income ("FVOCI") upon the adoption of IFRS 9.
		AMORTISED COST	The instruments that were classified as available for sale ("AFS") investments will be held within a business model whose objective is achieved by collecting contractual cash flows and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, such instrument will be subsequently measured at amortised cost upon the adoption of IFRS 9.
	FVTPL	AMORTISED COST	The instruments that were classified as financial assets through profit or loss ("FVTPL") investments and carried at fair value. These instruments will be held within a business model whose objective is achieved by collecting contractual cash flows, and the instruments contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, such instrument will be subsequently measured at amortised cost upon the adoption of IFRS 9.
		FVTPL	The instruments that were classified as financial assets through profit or loss ("FVTPL") investments are those instruments whose 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 upon the adoption of IFRS 9.

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

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

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

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

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

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

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

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

Transition Impact
The Group plans to adopt IFRS 9 using a modified retrospective approach and therefore shall not restate the comparative financial statements

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

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

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 17 Insurance Contracts (continued)

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the profit or loss based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

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

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

Transition Impact
Upon adoption of IFRS 17 and IFRS 9, the Group expects certain changes in classification of financial assets and financial liabilities and related reclassification between retained earnings and fair value reserve. The impact of the changes will affect the Group equity.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practices.

Amendments to IAS 8: Definition of Accounting Estimates
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investment contracts
Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable.

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

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 Group elects whether it 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 general and 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through consolidated statement of income.

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

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
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.

Revenue recognition
Premiums earned
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis except certain long-term policies (construction and engineering) and marine cargo policies for which,

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo.
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy; and

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Commissions earned and paid
Commissions earned and paid are recognised at the time of recognition of the related premiums.

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

Interest income
Interest income is recognised using the effective interest rate method.

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

Rental income
Rental income is recognised on a straight-line basis over the term of the lease.

Realised gains and losses
Realised gains and losses include gain and loss on financial assets and are calculated as the difference between net sales proceeds and the carrying value and are recorded on occurrence of the sale transactions.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated statement of income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the reporting date.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortised over the term of the insurance contracts to which they relate, similar to the pattern as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are settled or disposed of.

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. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

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

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

Reinsurance contracts held
In order to minimise financial exposure from large claims the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurance recoverable on outstanding claims" in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "premiums and insurance balances receivables".

Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, considering the product classification of the reinsured business.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 should be excluded from profit for the period when determining the contribution.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and related resolutions at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, 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 at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas subsidiaries
Taxation on overseas Subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Property and equipment
Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Land is not depreciated. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in consolidated statement of income, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture and fixtures, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the useful lives of the following classes of assets:

Buildings	20 – 50	years
Leasehold improvements	Up to 7	years
Computers	3 – 5	years
Furniture and fixtures	1 – 5	years
Equipment	3 – 4	years
Motor vehicles	1 – 4	years

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 but is not control or joint control over those policies.

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

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, 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 additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any 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 amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised software development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Amortization is provided on a straight-line basis over the useful lives of the following classes of assets and is recognised in the consolidated statement of income:

Computer software	4	Years
Distribution network	12	Years
Customer relation	5	Years
license for life insurance business	Indefinite life	

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Leases
Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
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.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, financial asset available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans and other receivables time deposits and cash and cash equivalents.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment. 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 effective interest rate.

The effective interest rate amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Investments available for sale
Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "loans and receivables". After initial measurement, investments available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Investments available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Investments carried at fair value through profit or loss
Investments carried at fair value through profit or loss include financial assets held for trading and those designated at fair value through consolidated statement of income at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through consolidated statement of income, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

Receivables
Accounts receivable are stated at their face value less impairment losses or provision for doubtful accounts.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement (continued)

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.

De-recognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
a) The rights to receive cash flows from the asset have expired;
b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
c) The Group has transferred its rights to receive cash flows from the asset and either has transferred all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset 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.

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.

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.

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

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

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

Fair values of financial instruments and further details as to how they are measured are provided in Note 30.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities
Financial liabilities consist of insurance payable and certain items under other payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

Initial recognition and measurement
Financial liabilities are initially recognised at fair value.

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

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

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

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

Fair value measurement
For those assets and liabilities carried at fair value, the Group measures 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 Group must be able to access the principal or the most advantageous market at the measurement date.

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

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Outstanding claims reserve
Outstanding claims comprise the estimated cost of claims incurred and reported but not settled at the reporting date. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Unearned premium reserve
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income, except for certain:
• Last three months premium at a reporting date is considered as unearned in respect of marine cargo.
• Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

Life mathematical reserve
The reserve for the life business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Group's actuaries.

Incurred but not reported reserve
The incurred but not reported reserve includes amounts reserved for claims incurred but not reported at the financial position date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on reporting date. With respect to its national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions which are expensed when due.

Treasury shares
Treasury shares consist of the Parent Company'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.

Foreign currency transactions
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group 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 retranslated at the functional currency spot rate of exchange at the reporting date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions (Continued)
All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 retranslation of non-monetary items is treated in line with the recognition of gain or loss on 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 is also recognised in other comprehensive income or consolidated statement of income, respectively).

ii) Group companies
On consolidation, assets and liabilities of foreign operations are translated into Kuwaiti dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Estimation uncertainty (Continued)

Non-life insurance contract liabilities (Insurance technical reserves) (Continued)
The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor 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 historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example 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 conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

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

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

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

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of receivables
An estimate of the collectible amount of accounts receivable is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Judgment
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as available for sale or investments carried at fair value through profit or loss or held to maturity investments. The Group classifies investments as carried at fair value through profit or loss if the fair value can be reliably determined. The Group classifies investment as "held to maturity" if they meet the relevant criteria for each classification. All other investments are classified as available for sale.

Gulf Insurance Group K.S.C.P. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgment (Continued)

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

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading or investment property. The Group classifies property as property held for sale if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

3. NET INVESTMENT INCOME

Net investment income for the year from life and medical insurance segments, analysed by category, is as follows:

	Debt securities (loans) KD 000's	*Investments carried at fair value through profit or loss KD 000's*	*Time and call deposits KD 000's*	*2022 Total KD 000's*	*2021 Total KD 000's*
Realised gain	-	**2,071**	-	**2,071**	1,921
Unrealised (loss) gain	-	**(1,145)**	-	**(1,145)**	750
Dividend income	-	**55**	-	**55**	47
Interest income	**208**	-	**116**	**324**	354
Other investment income	-	**213**	-	**213**	4
Total investment income	**208**	**1,194**	**116**	**1,518**	3,076
Financial charges and other expenses	-	**(68)**	-	**(68)**	(50)
Total investment expense	-	**(68)**	-	**(68)**	(50)
Net investment income	**208**	**1,126**	**116**	**1,450**	3,026

3. NET INVESTMENT INCOME (Continued)

Net investment income for the year from non-life insurance segment, analysed by category, is as follows:

	Investments held to maturity KD 000's	*Investments available for sale KD 000's*	*Investments carried at fair value through profit or loss KD 000's*	*Investment in associates KD 000's*	*Investment properties KD 000's*	*Time and call deposits KD 000's*	*Other investment income KD 000's*	*2022 Total KD 000's*	*2021 Total KD 000's*
Realised gain	-	5,054	1,493	-	-	-	-	6,547	5,096
Unrealised (loss) gain	-	-	(87)	-	-	-	-	(87)	1,479
Dividend income	-	1,764	75	-	-	-	-	1,839	1,233
Share of results from associates	-	-	-	799	-	-	-	799	427
Interest income	5,317	7,301	-	-	-	7,620	279	20,517	11,351
Rental income	-	-	-	-	519	-	-	519	392
Change in fair value of investment properties	-	-	-	-	363	-	-	363	(51)
Other investment income	-	-	-	-	-	-	3,309	3,309	7,535
Total investment income	**5,317**	**14,119**	**1,481**	**799**	**882**	**7,620**	**3,588**	**33,806**	27,462
Impairment loss (Note 10)	-	(1,536)	-	-	-	-	-	(1,536)	(647)
Other investment expenses	-	-	-	-	-	-	(1,337)	(1,337)	(2,209)
Total investment expense	-	**(1,536)**	-	-	-	-	**(1,337)**	**(2,873)**	(2,856)
Net investment income	**5,317**	**12,583**	**1,481**	**799**	**882**	**7,620**	**2,251**	**30,933**	24,606

4. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares, less weighted average number of treasury shares outstanding during the year. Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less weighted average number of treasury shares, outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employees' share option scheme.

The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2022	*2021*
Profit for the year attributable to equity holders of the Parent Company (KD 000's)	**38,182**	72,599
	Shares	*Shares*
Weighted average number of shares outstanding during the year, net of treasury shares	**283,751,062**	224,571,232
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**134.56 fils**	323.28 fils

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

5. PROPERTY AND EQUIPMENT

	Land KD 000's	*Buildings KD 000's*	*Leasehold improvements KD 000's*	*Computers KD 000's*	*Furniture and fixtures KD 000's*	*Motor vehicles KD 000's*	*Total KD 000's*
Cost:							
As at 1 January 2022	**18,166**	**31,506**	**2,333**	**23,355**	**10,028**	**1,019**	**86,407**
Additions	**334**	**140**	**75**	**4,233**	**454**	**120**	**5,356**
Disposals	**-**	**(335)**	**(689)**	**(1,634)**	**(950)**	**(124)**	**(3,732)**
Revaluation adjustment	**1,041**	**3,106**	**-**	**-**	**-**	**-**	**4,147**
Exchange differences	**(2,369)**	**(2,092)**	**(119)**	**1,622**	**70**	**13**	**(2,875)**
As at 31 December 2022	**17,172**	**32,325**	**1,600**	**27,576**	**9,602**	**1,028**	**89,303**
Accumulated depreciation:							
As at 1 January 2022	**-**	**8,475**	**2,264**	**20,096**	**7,369**	**706**	**38,910**
Charge for the year	**-**	**715**	**74**	**1,311**	**816**	**89**	**3,005**
Related to disposals	**-**	**(176)**	**(569)**	**(1,488)**	**(939)**	**(100)**	**(3,272)**
Exchange differences	**-**	**9**	**(361)**	**1,673**	**154**	**(30)**	**1,445**
As at 31 December 2022	**-**	**9,023**	**1,408**	**21,592**	**7,400**	**665**	**40,088**
Net carrying amount:							
As at 31 December 2022	**17,172**	**23,302**	**192**	**5,984**	**2,202**	**363**	**49,215**

Certain buildings of the Group with net carrying amount of KD 765,000 (2021: KD 765,000) have been mortgaged to the Ministry of Commerce and Industry.

5. PROPERTY AND EQUIPMENT (continued)

	Land KD 000's	*Buildings KD 000's*	*Leasehold improvements KD 000's*	*Computers KD 000's*	*Furniture and fixtures KD 000's*	*Motor vehicles KD 000's*	*Total KD 000's*
Cost:							
As at 1 January 2021	16,117	22,306	2,267	9,228	5,283	876	56,077
Arising from acquisition of subsidiaries	2,060	10,988	289	13,583	4,279	185	31,384
Additions	327	117	224	1,335	767	150	2,920
Disposals	-	(324)	(196)	(31)	(102)	(102)	(755)
Revaluation adjustment	273	(160)	-	-	-	-	113
Exchange differences	(611)	(1,421)	(251)	(760)	(199)	(90)	(3,332)
As at 31 December 2021	18,166	31,506	2,333	23,355	10,028	1,019	86,407
Accumulated depreciation:							
As at 1 January 2021	-	4,446	2,050	7,836	4,261	536	19,129
Arising from acquisition of subsidiaries	-	3,831	285	12,036	2,900	159	19,211
Charge for the year	-	531	188	825	421	141	2,106
Related to disposals	-	(87)	(144)	(42)	(112)	(104)	(489)
Exchange differences	-	(246)	(115)	(559)	(101)	(26)	(1,047)
As at 31 December 2021	-	8,475	2,264	20,096	7,369	706	38,910
Net carrying amount:							
As at 31 December 2021	18,166	23,031	69	3,259	2,659	313	47,497

6. BUSINESS COMBINATION

6.1 Acquisition of AXA Insurance B.S.C.C

On 29 November 2020, the Parent Company has entered into a sale and purchase agreement to acquire 100% equity interest of AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf) for a total consideration of USD 409,564,005 (equivalent to KD 123,196,853).

The Acquisition date has been determined to be 6 September 2021, when the Parent Company has evidenced its control over AXA Gulf.

The Group completed the Purchase Price Allocation ("PPA") exercise during the year ended 31 December 2022 and accordingly the 2021 comparative information was restated to reflect the PPA adjustment to the provisional amounts.

	Provisional values KD 000's	*Adjustments KD 000's*	*Fair value recognized after adjustment KD 000's*
Assets			
Property and equipment	9,426	-	9,426
Investment properties	1,626	-	1,626
Investments in associates	24,286	-	24,286
Right-of-use assets	759	-	759
Reinsurance recoverable on outstanding claims and incurred but not reported	13,638	-	13,638
Premiums and insurance balances receivable	59,061	-	59,061
Other assets	20,392	-	20,392
Intangible assets*	-	24,591	24,591
Investments available for sale	114,251	-	114,251
Investments carried at fair value through profit or loss	6,690	-	6,690
Time deposits	14,543	-	14,543
Cash and cash equivalents	77,705	-	77,705
	342,377	24,591	366,968
Liabilities			
Outstanding claims reserve and incurred but not reported reserve (gross)	72,580	-	72,580
Unearned premiums reserve (net)	82,866	-	82,866
Life mathematical reserve (net)	23,918	-	23,918
Additional reserve (net)	1,473	-	1,473
Premiums received in advance	9,862	-	9,862
Insurance payable	16,521	-	16,521
Other liabilities	13,091	-	13,091
	220,311	-	220,311
Net assets acquired	122,066	24,591	146,657
Purchase consideration transferred	123,197	-	123,197
Goodwill (gain on bargain purchase)	1,131	(24,591)	(23,460)

	Cash flow on acquisition
Cash paid	123,197
Less: net cash acquired in subsidiary acquired	(77,705)
Net cash outflow	45,492

*Upon completion of the PPA, the Group recognized definite intangible assets which represents distribution network and customer relationship with total amount of KD 23,564 thousand and KD 1,027 thousand respectively (Note 9).

6. BUSINESS COMBINATION (continued)

6.2 Step acquisition of AXA Cooperative Insurance Company

a) On 6 September 2021, AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf) had acquired additional 18% equity interest in AXA Cooperative Insurance Company (a Saudi Joint Stock Company) (AXA KSA) which was previously held as an investment in associate with an effective equity holding of 32%, resulting in total effective equity holding of 50% in AXA KSA.

As this transaction met the criteria of IFRS 3 business combination for the business combination achieved in stages, AXA Gulf reclassified its investment in AXA KSA to investment in subsidiary since it obtained control, and consolidated AXA KSA from the effective date of control. AXA Gulf has elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets.

The Group completed the Purchase Price Allocation ("PPA") exercise during the year ended 31 December 2022 and accordingly the 2021 comparative information was restated to reflect the PPA adjustment to the provisional amounts.

	Provisional values KD 000's	*Adjustments KD 000's*	*Fair value recognized after adjustment KD 000's*
Assets			
Property and equipment	2,404	-	2,404
Right-of-use assets	1,753	-	1,753
Reinsurance recoverable on outstanding claims and incurred but not reported	16,496	-	16,496
Premiums and insurance balances receivable	28,772	-	28,772
Other assets	14,558	-	14,558
Intangible assets*	-	20,401	20,401
Investment held to maturity	11,130	-	11,130
Investments available for sale	93,735	-	93,735
Time deposits	13,692	-	13,692
Cash and cash equivalents	62,039	-	62,039
	244,579	20,401	264,980
Liabilities			
Outstanding claims reserve and incurred but not reported reserve (gross)	86,083	-	86,083
Unearned premiums reserve (net)	47,055	-	47,055
Insurance payable	4,708	-	4,708
Other liabilities	34,926	-	34,926
	172,772	-	172,772
Net assets acquired	71,807	20,401	92,208
Less: Non-controlling interest	(35,903)	(10,200)	(46,103)
Proportionate share of fair value of the acquirer's previously held interest**	(49,980)	-	(49,980)
Consideration paid	(17,513)	-	(17,513)
Goodwill (Note 8)	31,589	(10,201)	21,388

	Cash flow on acquisition
Consideration paid by cash	(17,513)
Less: net cash acquired in subsidiary acquired	62,039
Net cash inflow	(44,526)

6. BUSINESS COMBINATION (continued)

6.2 Step acquisition of AXA Cooperative Insurance Company (continued)

Upon completion of the PPA, the Group recognized definite intangible assets which represents distribution network and customer relationship with total amount of KD 16,163 thousand and KD 4,238 thousand respectively (Note 9).

**Upon additional acquisition of 18% stake and obtaining control, the Group has fair valued its previously held interest in AXA KSA which resulted in a gain with an amount of USD 85,500,203 (equivalent to KD 25,786,861) that has been recorded in the consolidated statement of income for the year ended 31 December 2021.

7. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership*		*Principal Activity*
		2022	*2021*	
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj)	Kingdom of Saudi Arabia	**28.5%**	28.5%	Insurance
Al-Argan International Real Estate Company K.S.C.P. (Al-Argan)	Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C. ("Alliance")	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC")	Algeria	**42.5%**	42.5%	Insurance
Health 360 Ancillary Service Company W.L.L. ("H-360")	Bahrain	**33.5%**	33.5%	Third party administration - Claims

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

	2022	*2021*
	KD 000's	*KD 000's*
Carrying value at 1 January	**43,297**	43,451
Additions	**-**	36
Dividends received	**(969)**	(524)
Share of results of associates (Note 3)	**799**	427
Share of other comprehensive (loss) income of associates	**(873)**	186
Foreign currency translation adjustments	**(599)**	(279)
Carrying value at 31 December	**41,655**	43,297

Summarised financial information of material associates of the Group is as follows:

	Al-Buruj	*Al-Argan*	*Alliance*	*Others*	***2022***	*2021*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	***KD 000's***	*KD 000*
Share of associates' financial position:						
Assets	19,827	46,681	23,966	24,870	**115,344**	113,
Liabilities	10,797	30,760	15,147	19,940	**76,644**	73,
Share of the associates' net assets	9,030	15,921	8,819	4,930	**38,700**	40,
Goodwill	995	-	1,784	176	**2,955**	2,
Carrying value	10,025	15,921	10,603	5,106	**41,655**	43,
Share of associates' revenues and net profit:						
Revenues	6,923	1,143	926	3,057	**12,049**	5,
Net profit	(768)	419	550	598	**799**	[illegible]

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8. GOODWILL

Goodwill has been allocated to individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is shown below:

	2022	*2021*
	KD 000's	*KD 000's*
Arab Misr Insurance Group Company S.A.E.	**308**	308
Bahrain Kuwaiti Insurance Company B.S.C.	**2,626**	2,626
Arab Orient Insurance Company J.S.C.	**5,292**	5,292
Dar Al-Salam Insurance Company	**604**	604
Egypt Life Takaful Insurance Company S.A.E.	**168**	168
AXA Cooperative Insurance Company (Note 6.2)	**22,062**	21,535
Gulf Sigorta A.Ş.	**2,173**	2,173
	33,233	32,706

Movement on goodwill during the year is as follows:

	2022	*2021*
	KD 000's	*KD 000's*
As at 1 January	**32,706**	15,104
Addition arising from business combination	**-**	21,535
Impairment	**-**	(3,933)
Foreign currency translation adjustments	**527**	-
As at 31 December	**33,233**	32,706

The Group performed its annual impairment test in December 2022. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2022, the market capitalisation of the Group was above the book value of its equity,. Based on its assessment the management concluded that no impairment loss is required to be recognized during the current year ended 31 December 2022.

9. INTANGIBLE ASSETS

	Distribution Networks	*Customer Relationships*	*Indefinite Insurance Life License*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Cost:				
As at 1 January 2022	**39,727**	**5,265**	**2,216**	**47,208**
Exchange differences	**(504)**	**(67)**	**25**	**(546)**
As at 31 December 2022	**39,223**	**5,198**	**2,241**	**46,662**
Accumulated depreciation:				
As at 1 January 2022	**1,090**	**347**	**-**	**1,437**
Charge for the year	**3,265**	**1,039**	**-**	**4,304**
Exchange differences	**2**	**1**	**-**	**3**
As at 31 December 2022	**4,357**	**1,387**	**-**	**5,744**
Net carrying amount:				
As at 31 December 2022	**34,866**	**3,811**	**2,241**	**40,918**

9. INTANGIBLE ASSETS (continued)

	Distribution Networks KD 000's	*Customer Relationships KD 000's*	*Indefinite Insurance Life License KD 000's*	*Total KD 000's*
Cost:				
As at 1 January 2021	-	-	2,231	2,231
Arising from business combination (Note 6)	39,727	5,265	-	44,992
Exchange differences	-	-	(15)	(15)
As at 31 December 2021	39,727	5,265	2,216	47,208
Accumulated depreciation:				
Charge for the year	1,090	347	-	1,437
As at 31 December 2021	1,090	347	-	1,437
Net carrying amount:				
As at 31 December 2021	38,638	4,918	2,216	45,771

10. INVESTMENTS AVAILABLE FOR SALE

	2022 KD 000's	*2021 KD 000's*
Quoted equity securities	**31,399**	25,654
Unquoted equity securities	**8,775**	8,242
Quoted managed funds	**4,583**	5,906
Quoted bonds	**228,322**	221,298
Unquoted managed funds	**83**	649
	273,162	261,749

Impairment loss of KD 1,536 thousand (2021: KD 647 thousand) has been made against unquoted securities on which there has been a significant or prolonged decline in fair value below cost.

11. INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 KD 000's	*2021 KD 000's*
Held for trading:		
Quoted securities	**7,328**	7,158
Designated upon initial recognition:		
Managed funds of quoted securities	**41,982**	41,311
	49,310	48,469

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12. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2022 KD 000's	*2021 KD 000's*
Policyholders' accounts receivable		
Premiums' receivable	**232,604**	227,777
Insured debts receivable	**-**	1,629
	232,604	229,406
Provision for doubtful debts	**(21,603)**	(20,368)
Net policyholders' accounts receivable	**211,001**	209,038

	2022 KD 000's	*2021 KD 000's*
Insurance and reinsurers' accounts receivable		
Reinsurers' receivables	**30,026**	23,969
Provision for doubtful debts	**(5,932)**	(5,315)
Net insurance and reinsurers' accounts receivable	**24,094**	18,654
Total premiums and insurance balances receivable	**235,095**	227,692

The Group's terms of business require amounts to be paid within the underwriting year, and as such these receivables are remeasured at cost. Arrangements with the reinsurance companies normally require settlement on a quarterly basis.

Movements in the allowance for impairment of policyholders' accounts receivable were as follows:

	2022 KD 000's	*2021 KD 000's*
As at 1 January	**20,368**	13,319
Net provision charged for the year	**1,133**	7,366
Foreign currency translation adjustments	**102**	(317)
As at 31 December	**21,603**	20,368

The aging of premiums and insurance balances receivable presented in credit risk Note 26.e.1.

Movements in the allowance for insurance and reinsurers' accounts receivable were as follows:

	2022 KD 000's	*2021 KD 000's*
As at 1 January	**5,315**	2,790
Net provision charged for the year	**504**	2,534
Foreign currency translation adjustments	**113**	(9)
As at 31 December	**5,932**	5,315

13. LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

2022	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total KD 000's*
Outstanding claims and incurred but not reported reserves:								
Gross balance at beginning of the year	24,324	92,344	52,245	111,773	41,267	23,267	87,711	432,931
Reinsurance recoverable on outstanding claims and incurred but not reported	(10,546)	(7,686)	(30,781)	(99,714)	(26,498)	(10,340)	(31,073)	(216,638)
Net balance at beginning of the year	13,778	84,658	21,464	12,059	14,769	12,927	56,638	216,293
Foreign currency translation difference	67	(4,867)	4,209	(189)	(1,382)	(61)	303	(1,920)
Incurred during the year (net)	2,981	103,675	3,494	2,704	2,278	8,718	195,226	319,076
Paid during the year (net)	(3,327)	(109,648)	(7,207)	(3,652)	(2,808)	(8,553)	(183,092)	(318,287)
Net balance at end of the year	13,499	73,818	21,960	10,922	12,857	13,031	69,075	215,162
Represented as:								
Gross balance at end of the year	24,938	81,700	55,347	40,231	36,968	21,337	106,538	367,059
Reinsurance recoverable	(11,439)	(7,882)	(33,387)	(29,309)	(24,111)	(8,306)	(37,463)	(151,897)
Net balance at end of the year	13,499	73,818	21,960	10,922	12,857	13,031	69,075	215,162
Unearned premiums reserve (net)	1,853	67,206	12,120	23,927	10,850	17,257	63,596	196,809
Life mathematical reserve (net)	-	-	-	-	-	56,168	404	56,572
Additional reserve (net)	40	921	287	936	52	28	337	2,601

13. LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

2021	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total KD 000's*
Outstanding claims reserve and incurred but not reported reserve:								
Gross balance at beginning of the year	11,296	42,842	22,407	183,544	39,532	15,213	56,385	371,219
Reinsurance recoverable on outstanding claims and incurred but not reported	(9,570)	(6,815)	(19,215)	(180,087)	(31,212)	(5,520)	(29,997)	(282,416)
Net balance at beginning of the year	1,726	36,027	3,192	3,457	8,320	9,693	26,388	88,803
Arising from acquisition of subsidiaries	12,588	48,827	17,979	9,083	8,255	4,240	27,784	128,756
Foreign currency translation difference	(389)	285	(507)	(464)	(2,780)	34	377	(3,444)
Incurred during the year (net)	1,107	56,378	3,647	3,588	2,864	7,070	119,810	194,464
Paid during the year (net)	(1,254)	(56,859)	(2,847)	(3,605)	(1,890)	(8,110)	(117,721)	(192,286)
Net balance at end of the year	13,778	84,658	21,464	12,059	14,769	12,927	56,638	216,293
Represented as:								
Gross balance at end of the year	24,324	92,344	52,245	111,773	41,267	23,267	87,711	432,931
Reinsurance recoverable	(10,546)	(7,686)	(30,781)	(99,714)	(26,498)	(10,340)	(31,073)	(216,638)
Net balance at end of the year	13,778	84,658	21,464	12,059	14,769	12,927	56,638	216,293
Unearned premiums reserve (net)	1,634	59,516	10,376	12,168	7,693	14,514	61,695	167,596
Life mathematical reserve (net)	-	-	-	-	-	55,849	312	56,161
Additional reserve (net)	49	782	921	91	121	3	627	2,594

14. OTHER ASSETS

	2022 *KD 000's*	*2021* *KD 000's*
Accrued interest income	**5,189**	5,788
Commission income receivables	**19,486**	-
Refundable claims	**1,149**	5,103
Advance towards acquisition of investment	**7,531**	6,678
Deferred acquisition cost (DAC)	**32,904**	18,614
Qard Hassan (Note 29)	**10,894**	7,353
Prepaid expenses and others	**35,284**	27,324
	112,437	70,860

15. LONG TERM DEPOSITS

Term deposits of KD 66,196 thousand (2021: KD 74,373 thousand) are placed with local and foreign banks and carry an average effective interest rate ranging from 1.75% to 5.85% (2021: from 2% to 7.5%) per annum. Term deposits mature after one year.

16. CASH AND CASH EQUIVALENTS

	2022 *KD 000's*	*2021* *KD 000's*
Cash on hand and at banks	**66,919**	51,066
Short term deposits and call accounts	**153,610**	180,535
	220,529	231,601

As at 31 December 2022, certain bank balances amounting to KD 1,005 million (31 December 2021: KD Nil) have been restricted for the purpose of outstanding legal cases.

17. EQUITY, DIVIDENDS AND RESERVES

a) Share capital

The authorised share capital of the Parent Company comprises of 350,000,000 shares (31 December 2021: 350,000,000) of 100 fils each. The issued and fully paid-up share capital consists of 284,572,458 shares (31 December 2021: 284,572,458) of 100 fils each.

b) Share premium

The share premium account is not available for distribution.

c) Cash dividends and directors' remuneration

Proposed dividends for 2022

At the Board of Directors meeting held on 29 March 2023, the directors of the Parent Company proposed distribution of a cash dividend of KD 15,323 thousand for the year ended 31 December 2022 which represents 54% of paid-up share capital. The proposed dividend is subject to the approval of the shareholders at the General Assembly meeting.

Dividends for 2021

The Ordinary Annual General Assembly meeting of the Parent Company's shareholders held on 6 April 2022, approved the Board of Director's proposal for distributing cash dividends to the shareholders of 35 fils per share with total amount of KD 9,931 thousand for the year ended 31 December 2021.

17. EQUITY, DIVIDENDS AND RESERVES (continued)

Interim Dividends for 2021

The extraordinary Annual General Assembly of the Parent Company's shareholders held on 21 November 2021 approved to amend article No. (56) of the article of association by granting the board of directors the authorization for proposing and approving distribution of either cash or in-kind dividend on annual and semi-annual basis for the year ended 31 December 2021. At the Board of Directors meeting held on 22 November 2021, the directors of the Parent Company proposed and approved distribution of a cash dividends amounting to KD 20,146 thousand for nine months period ended 30 September 2021, which represents 71% of paid-up share capital.

Directors' remuneration

Directors' remuneration of KD 185 thousand for the year ended 31 December 2022 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' remuneration of KD 185 thousand for the year ended 31 December 2021 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 6 April 2022.

d) Treasury shares

	2022	*2021*
Number of shares (share)	**821,396**	821,396
Percentage of issued shares (%)	**0.29%**	0.29%
Cost (KD 000's)	**429**	429
Market value (KD 000's)	**834**	878

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

e) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. 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.

f) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

18. SUBORDINATED PERPETUAL TIER 2 BONDS

On 10 November 2021, the Parent Company issued perpetual subordinated Tier 2 fixed and floating rate bonds composed of KD 30 million at a fixed interest rate of 4.5% and KD 30 million at floating interest rate of 2.75% above Central Bank of Kuwait discount rate (the "Tier 2 bonds").

The Tier 2 bonds constitute direct, unconditional, subordinated obligations of the Parent Company and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 2 bonds do not have a maturity date. They are redeemable by the Parent Company after 5 years.

The Fixed Rate Tier 2 bonds will bear interest from the Issue Date to the First Reset Date at a fixed rate of 4.5% per annum payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2021. Interest treated as a deduction from equity.

18. SUBORDINATED PERPETUAL TIER 2 BONDS (continued)

The Floating rate Tier 2 bonds will bear interest at a rate of 2.75% over the CBK Discount Rate per annum provided however that such sum shall never exceed the prevailing Interest Rate attributable to the Fixed Rate Tranche Bonds at that time plus 1%, payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2021. Interest treated as a deduction from equity.

19. INSURANCE PAYABLE

	2022 *KD 000's*	*2021* *KD 000's*
Policyholders and agencies payables	**38,102**	34,338
Insurance and reinsurance payables	**121,835**	118,396
Amounts due to medical providers	**31,360**	25,905
	191,297	178,639

20. OTHER LIABILITIES

	2022 *KD*	*2021* *KD*
Accrued expenses and others	**59,365**	67,909
Reserve for reinsurance premiums	**2,358**	2,394
KFAS, NLST and Zakat payables	**1,645**	976
Deferred Acquisition Cost (DAC)	**5,367**	4,719
Due to policyholders	**4,287**	6,139
Taxation from subsidiaries	**15,842**	15,481
Provision for end of service benefits	**15,832**	9,366
Proposed directors' remuneration	**185**	185
	104,881	107,169

21. LONG TERM LOANS

The Parent Company has obtained two bank loans from local banks to be payable as follows:

a) First loan is payable on annual installment basis for a period of seven years beginning on 14 January 2023 and carry interest rate of 3 months LIBOR +1.25% per annum and the last installment is due on 14 January 2030.

On 21 August 2022, The Parent Company has agreed with the local financial institution to change the terms and interest rate of this facility as follows:
- Changing interest rate to be 1.25% per annum over Central Bank of Kuwait discount rate.
- Changing the loan tenure to be on annual installment basis beginning on 26 December 2023 with last installment to be due on 26 December 2027.

b) Second loan is payable on quarterly installment basis for a period of five years beginning on 31 March 2024 and carries an interest rate of 1.25% per annum over Central Bank of Kuwait discount rate and the last installment is due on 30 September 2027.

22. SEGMENT INFORMATION

The Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. Following are the details of those two primary segments:

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offer savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and FAY products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

- Takaful operation: As an Islamic insurance provider, the Group issues contracts that are based on co-operative activity by risk sharing or financial risk, or both. The Group classifies all its contracts individually as either takaful contracts or investment contracts. The participant (policyholder) contributes towards the policy / service for a particular takaful product. In case the policyholder terminates / surrender the policy the refund or forfeiture of the contribution paid by him or any other similar transaction is made for each type of product / service based on the terms and conditions of the policy agreed by the participant with the company as per the policy document. Takaful contracts are those contracts where the insurer accepts significant insurance risk from the participants by agreeing to compensate the participants if a specified uncertain future event adversely affects the participants. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Investment contracts are contracts where there is insignificant transfer of insurance risk from the participants to the Group.

Unallocated category comprises of assets and liabilities' relating to the Group's investing activities which do not fall under the Group's primary segments.

Executive Management 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 segment result and is measured consistently with the results in the consolidated financial statements.

22. SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income

	General risk insurance						Life and medical insurance			
31 December 2022:	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Total general risk insurance KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total life and medical insurance KD 000's*	*Total KD 000's*
Revenue:										
Premiums written	25,688	153,841	91,436	58,006	49,323	378,294	51,635	401,738	453,373	831,667
Reinsurance premiums ceded	(11,934)	(5,561)	(68,561)	(26,538)	(27,414)	(140,008)	(16,250)	(172,204)	(188,454)	(328,462)
Net premiums written	13,754	148,280	22,875	31,468	21,909	238,286	35,385	229,534	264,919	503,205
Movement in unearned premiums reserve	(297)	(9,986)	(562)	(10,278)	(2,627)	(23,750)	(3,481)	(1,709)	(5,190)	(28,940)
Movement in life mathematical reserve	-	-	-	-	-	-	(7,945)	(92)	(8,037)	(8,037)
Net premiums earned	13,457	138,294	22,313	21,190	19,282	214,536	23,959	227,733	251,692	466,228
Commission received on ceded reinsurance	2,961	1,063	7,378	3,675	4,176	19,253	1,652	23,434	25,086	44,339
Policy issuance fees	319	574	262	77	212	1,444	180	1,711	1,891	3,335
Net investment income from designated life and medical insurance	-	-	-	-	-	-	1,448	2	1,450	1,450
Total revenue	16,737	139,931	29,953	24,942	23,670	235,233	27,239	252,880	280,119	515,352
Expenses:										
Claims incurred	2,937	103,967	3,611	2,678	2,202	115,395	8,728	194,953	203,681	319,076
Commission and discounts	3,875	18,706	8,693	3,441	7,156	41,871	7,395	13,742	21,137	63,008
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	2,340	-	2,340	2,340
General and administrative expenses	2,611	10,289	4,777	3,889	5,085	26,651	2,496	16,213	18,709	45,360
Total expenses	9,423	132,962	17,081	10,008	14,443	183,917	20,959	224,908	245,867	429,784
Net underwriting income	7,314	6,969	12,872	14,934	9,227	51,316	6,280	27,972	34,252	85,568
Net investment income										30,933
Finance costs										(3,646)
Amortization of intangible assets										(4,305)
Monetary loss of hyperinflation										(16,690)
Net sundry income										7,868
Unallocated general and administrative expenses										(49,651)
Profit for the year before taxation and Directors' remuneration										50,077

22. SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						Life and medical insurance			
31 December 2021:	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Total general risk insurance KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Total life and medical insurance KD 000's*	*Total KD 000's*
Revenue:										
Premiums written	13,682	77,723	68,013	36,099	34,927	230,444	30,919	287,135	318,054	548,498
Reinsurance premiums ceded	(8,252)	(4,323)	(57,524)	(21,376)	(22,331)	(113,806)	(10,062)	(156,780)	(166,842)	(280,648)
Net premiums written	5,430	73,400	10,489	14,723	12,596	116,638	20,857	130,355	151,212	267,850
Movement in unearned premiums reserve	23	8,452	705	(5,728)	(368)	3,084	1,117	17,161	18,278	21,362
Movement in life mathematical reserve	-	-	-	-	-	-	(5,333)	(20)	(5,353)	(5,353)
Net premiums earned	5,453	81,852	11,194	8,995	12,228	119,722	16,641	147,496	164,137	283,859
Commission received on ceded reinsurance	2,273	767	5,443	3,089	3,469	15,041	1,101	4,668	5,769	20,810
Policy issuance fees	296	454	213	67	264	1,294	60	1,602	1,662	2,956
Net investment income from designated life and medical insurance	-	-	-	-	-	-	2,718	308	3,026	3,026
Total revenue	8,022	83,073	16,850	12,151	15,961	136,057	20,520	154,074	174,594	310,651
Expenses:										
Claims incurred	1,152	56,340	3,683	3,526	2,858	67,559	7,081	119,824	126,905	194,464
Commission and discounts	1,858	10,948	5,092	2,588	4,468	24,954	5,276	5,729	11,005	35,959
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	4,118	-	4,118	4,118
General and administrative expenses	1,932	7,819	4,092	2,612	3,785	20,240	2,154	12,115	14,269	34,509
Total expenses	4,942	75,107	12,867	8,726	11,111	112,753	18,629	137,668	156,297	269,050
Net underwriting income	3,080	7,966	3,983	3,425	4,850	23,304	1,891	16,406	18,297	41,601
Gain on remeasurement of a former associate from a step acquisition										25,787
Gain on bargain purchase from acquisition of										23,460
Impairment of goodwill										(3,933)
Net investment income										24,606
Finance costs										(2,566)
Amortization of intangible assets										(1,437)
Monetary loss of hyperinflation										-
Other income										6,766
Unallocated general and administrative expenses										(30,665)
Profit for the year before taxation and Directors' remuneration										83,619

22. SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2022	***General risk Insurance KD 000's***	***Life and medical insurance KD 000's***	***Un-allocated KD 000's***	***Total KD 000's***
Total assets	**988,401**	**148,925**	**208,679**	**1,346,004**
Total liabilities	**721,673**	**152,402**	**107,116**	**981,191**

31 December 2021	*General risk Insurance KD 000's*	*Life and medical insurance KD 000's*	*Un-allocated KD 000's*	*Total KD 000's*
Total assets	1,005,575	149,805	217,921	1,373,301
Total liabilities	727,521	126,781	169,488	1,023,790

Balances relating to investments activities are reported within unallocated category since these activities does not relate to any of the primary two segments.

22. SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2022 KD 000's	*2021 KD 000's*	***2022 KD 000's***	*2021 KD 000's*	***2022 KD 000's***	*2021 KD 000's*	***2022 KD 000's***	*2021 KD 000's*
Segment revenue	**147,348**	121,029	**279,961**	111,809	**88,043**	77,813	**515,352**	310,651
Segment results (net underwriting income)	**28,396**	13,143	**37,763**	19,379	**19,409**	9,079	**85,568**	41,601
Profit for the year attributable to equity holders of the Parent Company	**14,689**	24,698	**16,105**	33,642	**7,388**	14,259	**38,182**	72,599

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2022 KD 000's	*2021 KD 000's*	***2022 KD 000's***	*2021 KD 000's*	***2022 KD 000's***	*2021 KD 000's*	***2022 KD 000's***	*2021 KD 000's*
Total assets	**453,266**	471,102	**649,648**	669,656	**243,090**	232,543	**1,346,004**	1,388,737
Total liabilities	**421,939**	452,457	**399,294**	419,333	**159,958**	152,000	**981,191**	1,023,790

23. STATUTORY GUARANTEES

The following amounts are held in Kuwait as security based on the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

	2022	*2021*
	KD 000's	*KD 000's*
Current accounts and deposits at banks	**13,052**	23,027
Loans secured by life insurance policies	**-**	1,133
	13,052	24,160

Statutory guarantees of KD 76,768 thousand (2021: KD 91,418 thousand) are held outside the State of Kuwait as security for the subsidiary companies' activities.

24. CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 102,048 thousand (2021: KD 68,014 thousand).

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

25. COMMITMENTS

The Group does not have future commitments with respect to purchase of financial instruments (2021: Nil).

26. RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Risk management also protects policyholders' fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

(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.

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26. RISK MANAGEMENT (continued)

(b) Regulatory framework (continued)

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

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

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

The Group's Governance, Risk Management and Compliance (G.R.C.) sector is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

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

(c) Capital management objectives, policies and approach

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

Capital management objectives

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

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

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

Capital management policies

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

26. RISK MANAGEMENT (continued)

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

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

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

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

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

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

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

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

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

(1) Life and medical insurance contracts
Life insurance contracts offered by the Group include whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and FAY.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

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26. RISK MANAGEMENT (continued)

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

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

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

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

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

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

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

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

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

26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Type of contract	2022 Gross liabilities KD 000's	2022 Reinsurers' share of liabilities KD 000's	2022 Net liabilities KD 000's	2021 Gross liabilities KD 000's	2021 Reinsurers' share of liabilities KD 000's	2021 Net liabilities KD 000's
Whole life insurance	36	31	5	-	-	-
Term insurance	29,235	15,356	13,879	47,931	16,555	31,376
Pure endowment	728	5	723	1,352	1	1,351
Preferred global health	54	36	18	60	-	60
FAY	679	293	386	517	258	259
Total life insurance contract	**30,732**	**15,721**	**15,011**	49,860	16,814	33,046
Unitised pensions	41,561	-	41,561	23,115	-	23,115
Total investments contracts	**41,561**	**-**	**41,561**	23,115	-	23,115
Total life insurance and investment contracts	**72,293**	**15,721**	**56,572**	72,975	16,814	56,161
Other life insurance contract liabilities	**234,664**	**71,340**	**163,324**	208,100	61,696	146,404

The geographical concentration of the Group's life insurance and investment contracts with Discretionary Participation Feature (DPF) liabilities is noted below. The disclosure is based on the countries where the business is written.

26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2022 Gross liabilities KD 000's	2022 Reinsurers' share of liabilities KD 000's	2022 Net liabilities KD 000's	2021 Gross liabilities KD 000's	2021 Reinsurers' share of liabilities KD 000's	2021 Net liabilities KD 000's
Kuwait	**1,240**	**329**	**911**	1,740	253	1,487
Others	**29,492**	**15,392**	**14,100**	48,120	16,561	31,559
Total	**30,732**	**15,721**	**15,011**	49,860	16,814	33,046

Investment contracts

	2022 Gross liabilities KD 000's	2022 Reinsurers' share of liabilities KD 000's	2022 Net liabilities KD 000's	2021 Gross liabilities KD 000's	2021 Reinsurers' share of liabilities KD 000's	2021 Net liabilities KD 000's
Kuwait	**14,243**	**-**	**14,243**	14,817	-	14,817
Others	**27,318**	**-**	**27,318**	8,298	-	8,298
Total	**41,561**	**-**	**41,561**	23,115	-	23,115

The assumptions that have been provided by an external independent actuarial are as follows:

Key assumptions

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

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

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

•Mortality and morbidity rates

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

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

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26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Key assumptions (continued)

• ***Longevity***

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 prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

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

• ***Investment return***

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

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

• ***Expenses***

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

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

• ***Lapse and surrender rates***

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

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

• ***Discount rate***

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

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

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26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2022	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*
Investment contracts:												
With fixed and guaranteed terms	**Loaded reinsurance rates**	A49/52	**3.4%**	3%	**N/A**	N/A	**3%**	3%	**"5% of AP+1% of SA"**	"5% of AP+1% of SA"	**3.2%**	2%
Non-guaranteed terms	**Loaded reinsurance rates**	A49/52	**3.4%**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3.2%**	2%
Life term assurance:												
Males	**Loaded reinsurance rates**	A49/52	**3.4%**	3%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3.2%**	2%
Females	**Loaded reinsurance rates**	A49/52-3yr	**3.4%**	3%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3.2%**	2%

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26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Sensitivities
The analysis below is performed, by an independent third party actuarial with experience and qualifications, for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit if significant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

Life insurance contracts
31 December 2022

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**10%**	**(1,204)**	**225**	**(226)**
Expenses	**(0.5%)**	**-**	**-**	**-**
Discount rate	**10%**	**5,870**	**5,870**	**(5,870)**
Longevity	**(0.5%)**	**23,843**	**23,840**	**(23,840)**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2021

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	(1%)	-	-	(36,000)
Expenses	10%	56,000	56,000	(56,000)
Discount rate	(1%)	58,000	58,000	(58,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts
31 December 2022

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**10%**	**26,601**	**26,601**	**(26,601)**
Expenses	**(0.5%)**	**8,283**	**8,283**	**(8,283)**
Discount rate	**10%**	**46,251**	**46,251**	**(46,251)**
Longevity	**(0.5%)**	**(21,978)**	**(21,978)**	**21,978**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2021

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	(1%)	43,000	43,000	(43,000)
Expenses	10%	62,000	62,000	62,000
Discount rate	(1%)	65,000	65,000	65,000
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

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26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts
The Group principally issues the following types of general insurance contracts: marine and aviation, property, motor, and general accidents. Risks under non-life insurance policies usually cover twelve-month duration.

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

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

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

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

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

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

In additions, the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

Concentration of insurance contract liabilities by type of contract:	*2022* Gross liabilities KD 000's	*2022* Reinsurer's share of liabilities KD 000's	*2022* Net liabilities KD 000's	*2021* Gross liabilities KD 000's	*2021* Reinsurer's share of liabilities KD 000's	*2021* Net liabilities KD 000's
Marine and Aviation	**28,373**	**12,981**	**15,392**	27,944	12,483	15,461
Motor vehicles	**151,534**	**9,589**	**141,945**	154,293	9,337	144,956
Property	**96,425**	**62,057**	**34,368**	92,658	59,897	32,761
Engineering	**79,074**	**43,289**	**35,785**	141,451	117,133	24,318
General Accidents	**58,914**	**35,156**	**23,758**	57,419	34,836	22,583
Total	**414,320**	**163,072**	**251,248**	473,765	233,686	240,079

The geographical concentration of the Group's non-life insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written.

Geographical concentration of insurance contract liabilities:	*2022* Gross liabilities KD 000's	*2022* Reinsurer's share of liabilities KD 000's	*2022* Net liabilities KD 000's	*2021* Gross liabilities KD 000's	*2021* Reinsurer's share of liabilities KD 000's	*2021* Net Liabilities KD 000's
Kuwait	**74,030**	**54,332**	**19,698**	144,617	122,245	22,372
Others	**340,290**	**108,740**	**231,550**	329,148	111,441	217,707
Total	**414,320**	**163,072**	**251,248**	473,765	233,686	240,079

26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Key assumptions

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

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

Sensitivities

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

31 December 2022	***Change in assumption***	***Impact on gross liabilities KD 000's***	***Impact on net liabilities KD 000's***	***Impact on profit KD 000's***
Average claim cost	**±15%**	**5,274**	**2,065**	**2,065**
Average number of claims	**±15%**	**135**	**114**	**2,129**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**3,516**	**1,895**	**155**

31 December 2021	*Change in assumption*	*Impact on gross liabilities KD 000'S*	*Impact on net liabilities KD 000'S*	*Impact on profit KD 000'S*
Average claim cost	±15%	3,736	1,463	1,463
Average number of claims	±15%	13	11	206
Average claim settlement paid	Reduce from 18 months to 12 months	2,491	1,343	109

26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

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

31 December 2022

	2014 KD 000's	*2015 KD 000's*	*2016 KD 000's*	*2017 KD 000's*	*2018 KD 000's*	*2019 KD 000's*	*2020 KD 000's*	*2021 KD 000's*	*2022 KD 000's*	*Total KD 000's*
At end of accident year	2,339,589	163,128	273,251	403,872	433,441	415,154	406,315	487,890	522,913	
One year later	731,733	193,445	294,414	431,540	608,795	443,677	413,302	517,871	-	
Two years later	730,287	194,457	296,593	432,485	641,363	447,028	423,813	-	-	
Three years later	731,339	195,272	296,087	434,327	568,162	450,135	-	-	-	
Four years later	730,090	190,246	296,659	433,651	493,462	-	-	-	-	
Five years later	730,904	188,449	295,938	433,138	-	-	-	-	-	
Six years later	729,761	188,438	295,318	-	-	-	-	-	-	
Seven years later	731,722	189,000	-	-	-	-	-	-	-	
Eight years later	726,956	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	726,956	189,000	295,318	433,138	493,462	450,135	423,813	517,871	522,913	4,052,606

26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2014 KD 000's	*2015 KD 000's*	*2016 KD 000's*	*2017 KD 000's*	*2018 KD 000's*	*2019 KD 000's*	*2020 KD 000's*	*2021 KD 000's*	*2022 KD 000's*	*Total KD 000's*
At end of accident year	(1,951,602)	(91,647)	(206,343)	(294,911)	(285,735)	(309,897)	(292,410)	(368,353)	(377,149)	
One year later	(674,323)	(163,859)	(270,986)	(401,537)	(416,388)	(409,125)	(386,427)	(488,999)	-	
Two years later	(693,483)	(172,064)	(281,193)	(416,170)	(449,543)	(423,693)	(405,513)	-	-	
Three years later	(697,789)	(176,681)	(287,454)	(421,429)	(466,390)	(437,947)	-	-	-	
Four years later	(705,492)	(178,244)	(289,622)	(424,845)	(477,530)	-	-	-	-	
Five years later	(708,900)	(179,672)	(290,878)	(428,050)	-	-	-	-	-	
Six years later	(708,911)	(180,407)	(291,792)	-	-	-	-	-	-	
Seven years later	(711,439)	(182,356)	-	-	-	-	-	-	-	
Eight years later	(712,459)	-	-	-	-	-	-	-	-	
Cumulative payment to date	(712,459)	(182,356)	(291,792)	(428,050)	(477,530)	(437,947)	(405,513)	(488,999)	(377,149)	(3,801,795)

	2014 KD 000's	*2015 KD 000's*	*2016 KD 000's*	*2017 KD 000's*	*2018 KD 000's*	*2019 KD 000's*	*2020 KD 000's*	*2021 KD 000's*	*2022 KD 000's*	*Total KD 000's*
At end of accident year	(1,951,602)	(91,647)	(206,343)	(294,911)	(285,735)	(309,897)	(292,410)	(368,353)	(377,149)	
One year later	(674,323)	(163,859)	(270,986)	(401,537)	(416,388)	(409,125)	(386,427)	(488,999)	-	
Two years later	(693,483)	(172,064)	(281,193)	(416,170)	(449,543)	(423,693)	(405,513)	-	-	
Three years later	(697,789)	(176,681)	(287,454)	(421,429)	(466,390)	(437,947)	-	-	-	
Four years later	(705,492)	(178,244)	(289,622)	(424,845)	(477,530)	-	-	-	-	
Five years later	(708,900)	(179,672)	(290,878)	(428,050)	-	-	-	-	-	
Six years later	(708,911)	(180,407)	(291,792)	-	-	-	-	-	-	
Seven years later	(711,439)	(182,356)	-	-	-	-	-	-	-	
Eight years later	(712,459)	-	-	-	-	-	-	-	-	
Cumulative payment to date	(712,459)	(182,356)	(291,792)	(428,050)	(477,530)	(437,947)	(405,513)	(488,999)	(377,149)	(3,801,795)

26. RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

Gross insurance contract outstanding claims at 31 December 2022	14,497	6,644	3,526	5,088	15,932	12,188	18,300	28,872	145,764	250,811
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2022									116,248	116,248
Total gross insurance outstanding claims provision per consolidated statement of financial position at 31 December 2022	14,497	6,644	3,526	5,088	15,932	12,188	18,300	28,872	262,012	367,059

26. RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

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

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- 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 to credit risk by classifying financial assets according to type of insurance	**31 December 2022**			
	General KD 000's	***Life KD 000's***	***Unit linked KD 000's***	***Total KD 000's***
Investments held to maturity	46,800	356	-	47,156
Debt securities (loans)	2,720	7,899	4,801	15,420
Loans secured by life insurance policies	5	4	472	481
Policyholders' accounts receivable (gross)	207,845	24,758	-	232,603
Reinsurers' accounts receivable (gross)	28,512	1,514	-	30,026
Reinsurance recoverable on outstanding claims and incurred but not reported	115,287	36,610	-	151,897
Long term deposits	55,188	11,007	-	66,195
Cash and cash equivalents	212,135	8,394	-	220,529
Total credit risk exposure	668,492	90,542	5,273	764,309

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2021			
	General KD 000's	*Life KD 000's*	*Unit linked KD 000's*	*Total KD 000's*
Investments held to maturity	50,288	933	-	51,221
Debt securities (loans)	2,735	4,722	2,978	10,435
Loans secured by life insurance policies	-	13	486	499
Policyholders' accounts receivable (gross)	206,270	23,136	-	229,406
Reinsurers' accounts receivable (gross)	22,986	983	-	23,969
Reinsurance recoverable on outstanding claims and incurred but not reported	185,798	30,840	-	216,638
Long term deposits	60,213	14,160	-	74,373
Cash and cash equivalents	225,079	6,522	-	231,601
Total credit risk exposure	753,369	81,309	3,464	838,142

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26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2022 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	***AAA KD 000's***	***AA KD 000's***	***A KD 000's***	***BBB KD 000's***	***BB and below KD 000's***	***Not rated KD 000's***	***Total KD 000's***
31 December 2022							
Investments held to maturity	-	-	13,646	26,633	6,571	306	47,156
Debt securities (loans)	-	-	1,400	12,830	1,190	-	15,420
Loans secured by life insurance policies	-	-	-	-	-	481	481
Policyholders' accounts receivable (gross) (Note 12)	-	19,210	89,700	11,237	9,948	102,509	232,604
Reinsurers accounts receivable (gross) (Note 12)	185	3,769	6,932	6,603	3,094	9,443	30,026
Reinsurance recoverable on outstanding claims and incurred but not reported	1,653	53,751	68,077	6,323	13,463	8,630	151,897
Long term deposits	-	-	16,210	30,960	3,755	15,271	66,196
Cash and cash equivalents	-	26	129,087	26,082	55,469	9,865	220,529
Total credit risk exposure	**1,838**	**76,756**	**325,052**	**120,668**	**93,490**	**146,505**	**764,309**

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2022	***High grade KD 000's***	***Standard grade KD 000's***	***Past due or impaired KD 000's***	***Total KD 000's***
Investments held to maturity	305	-	1	306
Loan secured by life insurance policy	472	4	5	481
Policyholders' accounts receivable (gross)	39,527	55,691	7,291	102,509
Reinsurance accounts receivable (gross)	1,629	7,699	115	9,443
Reinsurance recoverable on outstanding claims and incurred but not reported	5,705	2,925	-	8,630
Long term deposits	13,447	417	1,407	15,271
Cash and cash equivalents	9,038	827	-	9,865
	70,123	**67,563**	**8,819**	**146,505**

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2021 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD 000's*	*AA KD 000's*	*A KD 000's*	*BBB KD 000's*	*BB and below KD 000's*	*Not rated KD 000's*	*Total KD 000's*
31 December 2021							
Investments held to maturity	-	-	11,706	31,075	7,215	1,225	51,221
Debt securities (loans)	-	-	1,400	9,035	-	-	10,435
Loans secured by life insurance policies	-	-	-	-	-	499	499
Policyholders' accounts receivable (gross) (Note 12)	-	15,829	90,468	6,610	10,329	106,170	229,406
Reinsurers accounts receivable (gross) (Note 12)	14	1,231	6,193	6,153	3,373	7,005	23,969
Reinsurance recoverable on outstanding claims and incurred but not reported	1,098	65,189	111,723	4,110	11,869	22,649	216,638
Long term deposits	-	-	27,888	26,676	12,361	7,448	74,373
Cash and cash equivalents	-	19	69,748	95,177	50,965	15,692	231,601
Total credit risk exposure	1,112	82,268	319,126	178,836	96,112	160,688	838,142

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2021	*High grade KD 000's*	*Standard grade KD 000's*	*Past due or impaired KD 000's*	*Total KD 000's*
Investments held to maturity	1,224	-	1	1,225
Loan secured by life insurance policy	486	3	10	499
Policyholders' accounts receivable (gross)	36,594	61,596	7,980	106,170
Reinsurance accounts receivable (gross)	1,327	5,566	112	7,005
Reinsurance recoverable on outstanding claims and incurred but not reported	4,141	18,508	-	22,649
Long term deposits	4,267	1,781	1,400	7,448
Cash and cash equivalents	14,876	779	37	15,692
	62,915	88,233	9,540	160,688

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of premiums and insurance balance receivable that are not past due nor impaired:

	Up to 1 month KD 000's	***Within 1-3 months KD 000's***	***Within 3-12 months KD 000's***	***More than 1 year KD 000's***	***Total KD 000's***
31 December 2022:					
Policyholders' accounts receivable (net)	**72,095**	**56,203**	**68,769**	**13,934**	**211,001**
Reinsurance receivables (net)	**2,489**	**2,856**	**15,821**	**2,928**	**24,094**
Total	**74,584**	**59,059**	**84,590**	**16,862**	**235,095**

	Up to 1 month KD 000's	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*More than 1 year KD 000's*	*Total KD 000's*
31 December 2021:					
Policyholders' accounts receivable (net)	20,979	32,903	142,419	12,737	209,038
Reinsurance receivables (net)	1,208	3,856	11,672	1,918	18,654
Total	22,187	36,759	154,091	14,655	227,692

(2) Liquidity risk

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

The table below summarises the maturity of the financial liabilities of the Group based on remaining undiscounted contractual obligations for 31 December. As the Group does not have any interest-bearing liabilities (except for long term loans), the figures below agree directly to the consolidated statement of financial position.

	Up to 1 month KD 000's	***Within 1-3 months KD 000's***	***Within 3-12 months KD 000's***	***Within 1-5 years KD 000's***	***Within 5-10 years KD 000's***	***Total KD 000's***
31 December 2022						
Premiums received in advance	**-**	**2,091**	**1,560**	**244**	**-**	**3,895**
Insurance payable	**39,410**	**62,163**	**77,701**	**9,827**	**2,196**	**191,297**
Other liabilities	**10,703**	**17,933**	**31,501**	**34,009**	**10,735**	**104,881**
Long term loans	**-**	**767**	**7,417**	**61,191**	**-**	**69,375**
	50,113	**82,954**	**118,179**	**105,271**	**12,931**	**369,448**

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2021	*Up to 1 month KD 000's*	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*Within 1-5 years KD 000's*	*Within 5-10 years KD 000's*	*Total KD 000's*
Premiums received in advance	-	416	2,410	390	-	3,216
Insurance payable	26,097	30,566	107,815	12,956	1,205	178,639
Other liabilities	5,414	11,548	36,014	39,934	14,259	107,169
Long term loans	-	-	-	71,728	11,139	82,867
	31,511	42,530	146,239	125,008	26,603	371,891

(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 rate price risk.

The Group has developed its policies and procedures to enhance the Group's mitigation of market 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 principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Bahraini dinar, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

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. Accordingly, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments as well as the Group's Asset Liability Management model.

The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising assets and liabilities by major currencies.

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26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2022: **ASSETS**	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*SAR KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
Property and equipment	6,826	-	13,878	11,188	3,561	-	-	3,847	9,915	49,215
Investments in associates	17,058	-	258	2,433	-	-	-	10,027	11,879	41,655
Goodwill	11,171	-	22,062	-	-	-	-	-	-	33,233
Intangible assets	-	-	21,426	-	2,241	-	-	17,251	-	40,918
Investment properties	-	612	2,951	2,056	71	-	-	-	3,610	9,300
Investments held to maturity	997	3,972	975	16,981	4,991	-	-	9,773	9,467	47,156
Debt securities (loans)	12,700	2,720	-	-	-	-	-	-	-	15,420
Investments available for sale	10,198	157,618	12,770	201	3,320	-	-	38,001	51,054	273,162
Investments carried at fair value through profit or loss	6,561	15,781	-	19,009	2,252	-	368	-	5,339	49,310
Loans secured by life insurance policies	472	-	-	-	5	-	-	-	4	481
Premium and insurance balances receivable	117,013	25,994	37,041	6,883	12,282	1,695	656	28,152	5,379	235,095
Reinsurance recoverable on outstanding claims and incurred but not reported	60,132	26,986	30,412	5,235	4,560	9,824	18	11,774	2,956	151,897
Other assets	45,668	1,251	28,963	3,015	4,862	2	44	12,076	16,556	112,437
Cash and cash equivalents and time deposits	48,832	25,805	32,020	8,964	29,191	2,129	85	72,469	67,230	286,725
Total assets	337,628	260,739	202,756	75,965	67,336	13,650	1,171	203,370	183,389	1,346,004

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2022 LIABILITIES	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*SAR KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
Liabilities arising from insurance contracts										
Outstanding claims reserve and incurred but not reported reserve (gross)	138,599	5,062	97,198	8,132	17,802	8,695	18	77,776	13,777	367,059
Unearned premiums reserve (net)	25,740	3	79,881	6,653	9,023	-	-	46,318	29,191	196,809
Life mathematical reserve (net)	15,154	5	23,847	17,309	231	-	-	-	26	56,572
Additional reserve (net)	-	-	1,524	-	-	-	-	-	1,077	2,601
Total liabilities arising from insurance contracts	179,493	5,070	202,450	32,094	27,056	8,695	18	124,094	44,071	623,041
Premiums received in advance	2,962	-	926	-	-	-	-	-	7	3,895
Insurance payable	68,484	51,429	45,060	2,442	12,675	1,112	128	6,436	3,531	191,297
Other liabilities	41,418	607	20,674	8,251	2,500	-	-	25,892	5,539	104,881
Long term loans	58,077	-	-	-	-	-	-	-	-	58,077
Total liabilities	350,434	57,106	269,110	42,787	42,231	9,807	146	156,422	53,148	981,191

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2021: ASSETS	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*SAR KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
Property and equipment	6,119	-	12,921	14,363	3,278	-	-	2,557	8,259	47,497
Investments in associates	17,349	-	243	3,039	-	-	-	11,270	11,396	43,297
Goodwill	11,171	-	21,535	-	-	-	-	-	-	32,706
Intangible assets	-	-	23,878	-	2,216	-	-	19,677	-	45,771
Investment properties	425	605	3,050	2,679	69	-	-	-	3,665	10,493
Investments held to maturity	997	3,503	962	23,320	5,072	-	-	9,660	7,707	51,221
Debt securities (loans)	1,654	8,781	-	-	-	-	-	-	-	10,435
Investments available for sale	9,447	151,832	11,551	159	2,898	-	-	41,301	44,561	261,749
Investments carried at fair value through profit or loss	3,989	13,263	1,190	23,596	2,274	-	-	-	4,157	48,469
Loans secured by life insurance policies	486	-	-	-	10	-	-	-	3	499
Premium and insurance balances receivable	114,501	19,726	42,385	7,434	12,923	1,811	64	24,137	4,711	227,692
Reinsurance recoverable on outstanding claims and incurred but not reported	61,911	87,637	31,855	5,402	3,916	7,911	41	14,090	3,875	216,638
Other assets	13,325	365	32,058	5,626	7,097	-	31	6,374	5,984	70,860
Cash and cash equivalents and time deposits	56,624	24,405	33,716	6,848	25,963	1,313	46	81,016	76,043	305,974
Total assets	297,998	310,117	215,344	92,466	65,716	11,035	182	210,082	170,361	1,373,301

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(4) Market risk (continued)

(i) Currency risk (continued)

31 December 2021 LIABILITIES	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*SAR KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
Liabilities arising from insurance contracts										
Outstanding claims reserve and incurred but not reported reserve (gross)	184,901	8,159	107,714	9,398	16,171	8,362	132	82,185	15,909	432,931
Unearned premiums reserve (net)	19,804	-	77,704	8,010	7,997		-	39,568	14,513	167,596
Life mathematical reserve (net)	16,289	-	20,108	19,556	175		-	-	33	56,161
Additional reserve (net)	-	-	1,653				-	-	941	2,594
Total liabilities arising from insurance contracts	220,994	8,159	207,179	36,964	24,343	8,362	132	121,753	31,396	659,282
Premiums received in advance	2,451	-	757	-	-	-	-	-	8	3,216
Insurance payable	54,747	50,480	49,650	792	13,622	1,115	-	5,549	2,684	178,639
Other liabilities	31,128	1,493	24,179	10,029	4,434	12	1	32,085	3,808	107,169
Long term loans	25,000	50,484	-	-	-	-	-	-	-	75,484
Total liabilities	334,320	110,616	281,765	47,785	42,399	9,489	133	159,387	37,896	1,023,790

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26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

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

	Change in variables	***2022* Impact on profit KD 000's**	***Impact on equity KD 000's***	*2021* *Impact on profit KD 000's*	*Impact on equity KD 000's*
USD	**±5%**	**2,301**	**7,881**	2,383	7,592
BD	**±5%**	**3,956**	**639**	4,394	578
EGP	**±5%**	**1,649**	**10**	2,250	8
JD	**±5%**	**1,089**	**166**	1,286	145
SAR	**±5%**	**447**	**4**	514	3

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate 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 non-linear.

Currency	***2022* Change in variables**	***Impact on profit before tax KD 000's***	*2021* *Change in variables*	*Impact on profit before tax KD 000's*
KD	**±50 bps**	**110**	±50 bps	47
USD	**±50 bps**	**337**	±50 bps	132
BD	**±50 bps**	**68**	±50 bps	58
Others	**±50 bps**	**343**	±50 bps	474

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

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management and the Investment Strategy and Policy.

The equity price risk sensitivity is determined on the following market indices:

	2022 %	*2021 %*
Kuwait market	**15%**	8%
Rest of GCC market	**118%**	93%
MENA	**54%**	13%
Other international markets	**0.1%**	17%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2022 and 2021. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2022 KD 000's	*2021 KD 000's*	***2022 KD 000's***	*2021 KD 000's*
Investment available for sale	-	-	**14,051**	7,118
Investment carried at fair value through profit or loss	**3,072**	908	-	-

The table below presents the geographical concentration of financial instruments exposed to equity price risk:

31 December 2022	***GCC KD 000's***	***MENA KD 000's***	***Europe KD 000's***	***Total KD 000's***
Investments available for sale	**17,278**	**4,019**	**10,102**	**31,399**
Investments carried at fair value through profit or loss	**2,462**	**4,866**	-	**7,328**
	19,740	**8,885**	**10,102**	**38,727**

26. RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2021	*GCC KD 000's*	*MENA KD 000's*	*Europe KD 000's*	*Total KD 000's*
Investments available for sale	17,552	3,188	4,914	25,654
Investments carried at fair value through profit or loss	1,320	5,838	-	7,158
	18,872	9,026	4,914	32,812

27. RELATED PARTY TRANSACTIONS

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

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

	2022		*2021*	
	Premiums KD 000's	***Claims KD 000's***	*Premiums KD 000's*	*Claims KD 000's*
Directors and key management personnel	**240**	**28**	232	33
Other related parties	**3,469**	**688**	3,963	1,615
	3,710	**716**	4,195	1,648

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

	2022		*2021*	
	Amounts owed by related parties KD 000's	***Amounts owed to related parties KD 000's***	*Amounts owed by related Parties KD 000's*	*Amounts owed to related parties KD 000's*
Directors and key management personnel	**441**	**9**	375	16
Other related parties	**1,938**	**595**	1,234	923
	2,379	**604**	1,609	939

In addition to the above balances, the Group has also engaged with related parties in its investment activities as follows:

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 19,916 thousand (2021: KD 30,637 thousand). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 6,530 thousand (2021: KD 1,511 thousand).

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27 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2022 *KD 000's*	*2021* *KD 000's*
Salaries and other short-term benefits	**569**	661
Employees' end of service benefits	**893**	330
	1,462	991

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28. SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

Name of the company	*Percentage of ownership* *2022*	*2021*	*Country of incorporation*	*Principal activity*
Directly held:				
Gulf Insurance and Reinsurance Company K.S.C. (Closed) (GIRI)	**99.80%**	99.80%	Kuwait	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	**92.69%**	92.69%	Lebanon	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	**99.00%**	99.00%	Egypt	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	**54.35%**	54.35%	Syria	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C. (BKIC)	**56.12%**	56.12%	Bahrain	General risk insurance
Arab Orient Insurance Company J.S.C.	**89.91%**	89.91%	Jordan	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	**61.31%**	61.31%	Egypt	Life Takaful insurance
Dar Al-Salam Insurance Company	**79.87%**	79.87%	Iraq	General risk & life insurance
L'Algerienne Des Assurance (2a)	**51.00%**	51.00%	Algeria	General risk insurance
Gulf Sigorta A.S.	**99.22%**	99.22%	Turkey	General risk insurance
AXA Insurance Gulf B.S.C.C (AXA Gulf)	**100%**	100%	Bahrain	Life and medical insurance and General risk
Held through GIRI				
Gulf Takaful Insurance Company K.S.C.C.	**66.63%**	66.63%	Kuwait	Takaful insurance
Held through BKIC				
Takaful International Company	**81.94%**	81.94%	Bahrain	Takaful insurance
Held through AXA Gulf				
AXA Cooperative Insurance Company- Saudi Joint Stock Company	**50%**	50%	Saudi Arabia	Cooperative Insurance operations

28. SUBSIDIARIES COMPANIES (continued)

Material partly owned subsidiary:
The Group has concluded that Bahrain Kuwaiti Insurance Company B.S.C. ("BKIC") and AXA Cooperative Insurance Company- Saudi Joint Stock Company are the only subsidiaries with non-controlling interests that are material to the consolidated financial statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2022 KD 000's	*2021 KD 000's*
Bahrain Kuwaiti Insurance Company B.S.C.	**16,927**	16,675
AXA Cooperative Insurance Company- Saudi Joint Stock Company (AXA KSA)	**46,105**	37,633

Profit allocated to material non-controlling interests:

	2022 KD 000's	*2021 KD 000's*
Bahrain Kuwaiti Insurance Company B.S.C.	**1,434**	1,723
AXA Cooperative Insurance Company- Saudi Joint Stock Company (AXA KSA)	**1,993**	1,948

Summarised financial information of these subsidiaries is provided below:

	2022		*2021*	
	BKIC KD 000's	***AXA KSA KD 000's***	*BKIC KD 000's*	*AXA KSA KD 000's*
Statement of income				
Income	**39,641**	**274,021**	35,867	124,468
Expenses	**35,565**	**257,551**	32,114	89,302
Profit for the year	**4,076**	**16,470**	3,753	35,166
Total comprehensive income	**4,235**	**13,628**	2,854	34,462
Statement of financial position				
Total assets	**143,684**	**249,218**	165,656	250,088
Total liabilities	**(107,040)**	**(157,009)**	(122,175)	(174,822)
Total equity	**36,645**	**92,209**	43,481	75,266

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29. TAKAFUL INSURANCE - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations. Since such assets and liabilities together with the results of policyholders' lines of business are contractually related to specific policyholders, the related amounts are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

Takaful business in the Group consists of:
- Takaful Insurance Unit established by the Parent Company,
- Egypt Life Takaful Insurance Company (S.A.E).
- Gulf Takaful Insurance Company K.S.C.C.
- Takaful International Company
- AXA Cooperative Insurance Company- Saudi Joint Stock Company.

Policyholders' result by line of business:

The following tables summarise the consolidated policyholders' results by line of business and fund:

For the year ended 31 December 2022:

	Marine and aviation KD 000's	***Property KD 000's***	***Motor KD 000's***	***Engineering KD 000's***	***General accidents KD 000's***	***Life and medical KD 000's***	***Total KD 000's***
Premium written	**5,593**	**13,897**	**74,531**	**6,069**	**7,511**	**72,195**	**179,796**
Surplus (deficit) from insurance operations	**2,769**	**4,465**	**(8,920)**	**2,483**	**3,321**	**425**	**4,543**

For the year ended 31 December 2021:

	Marine and aviation KD 000's	*Property KD 000's*	*Motor KD 000's*	*Engineering KD 000's*	*General accidents KD 000's*	*Life and medical KD 000's*	*Total KD 000's*
Premium written	1,206	4,277	22,091	2,205	4,724	43,917	78,420
Surplus (deficit) from insurance operations	790	2,161	(941)	803	2,703	(355)	5,161

	2022 KD 000's	*2021 KD 000's*
Qard Hassan (Note 14)	**10,894**	7,353
Amounts due to policyholders (Note 20)	**4,287**	6,139

30. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets carried at fair value.

			Fair value measurement using		
31 December 2022	**Date of valuation**	**Total** *KD 000's*	**Quoted prices in active markets (Level 1)** *KD 000's*	**Significant observable inputs (Level 2)** *KD 000's*	**Significant unobservable inputs (Level 3)** *KD 000's*
Investments available for sale (AFS)					
Quoted equity securities	31 December 2022	**31,399**	**31,399**	**-**	**-**
Unquoted equity securities	31 December 2022	**8,775**	**-**	**685**	**8,090**
Quoted managed funds	31 December 2022	**4,583**	**4,583**	**-**	**-**
Quoted bonds	31 December 2022	**228,322**	**228,322**	**-**	**-**
Unquoted managed funds	31 December 2022	**83**	**-**	**-**	**83**
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2022	**7,328**	**7,328**	**-**	**-**
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2022	**41,982**	**41,982**	**-**	**-**
Property and equipment					
Land	31 December 2022	**17,172**	**-**	**17,172**	**-**
Buildings	31 December 2022	**23,302**	**-**	**23,302**	**-**
Investment properties	31 December 2022	**9,300**	**-**	**9,300**	**-**
		372,246	**313,614**	**50,459**	**8,173**

			Fair value measurement using		
31 December 2021	Date of valuation	Total *KD 000's*	Quoted prices in active markets (Level 1) *KD 000's*	Significant observable inputs (Level 2) *KD 000's*	Significant unobservable inputs (Level 3) *KD 000's*
Investments available for sale (AFS)					
Quoted equity securities	31 December 2021	25,654	25,654	-	-
Unquoted equity securities	31 December 2021	8,242	-	18	8,224
Quoted managed funds	31 December 2021	5,906	5,906	-	-
Quoted bonds	31 December 2021	221,298	221,298	-	-
Unquoted managed funds	31 December 2021	649	-	543	106
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2021	7,161	7,158	3	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2021	41,308	41,308	-	-
Property and equipment					
Land	31 December 2021	18,166	-	18,166	-
Buildings	31 December 2021	23,031	-	23,031	-
Investment properties	31 December 2021	10,493	-	10,493	-
		361,908	301,324	52,254	8,330

30. FAIR VALUE MEASUREMENT (continued)

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

	At 1 January 2022 *KD 000's*	***Arising on acquisition of subsidiaries*** *KD 000's*	***Loss recorded in the consolidated statement of income*** *KD 000's*	***Gain recorded in the consolidated statement of comprehensive income*** *KD 000's*	***Net disposals and purchases*** *KD 000's*	***At 31 December 2022*** *KD 000's*
AFS:						
Unquoted equity securities	**8,224**	**-**	**(107)**	**95**	**(122)**	**8,090**
Unquoted managed funds	**106**	**-**	**(23)**	**-**	**-**	**83**
	8,330	**-**	**(130)**	**95**	**(122)**	**8,173**

	At 1 January 2021 KD 000's	*Arising on acquisition of subsidiaries KD 000's*	*Loss recorded in the consolidated statement of income KD 000's*	*Loss recorded in the consolidated statement of comprehensive income KD 000's*	*Net purchases and disposals KD 000's*	*At 31 December 2021 KD 000's*
AFS:						
Unquoted equity securities	5,956	2,567	-	(297)	(2)	8,224
Unquoted managed funds	20	105	-	-	(19)	106
	5,976	2,672	-	(297)	(21)	8,330

Description of significant unobservable inputs to valuation of financial assets:
Unquoted securities represent delisted securities on stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted managed funds are valued based on net assets value method using latest available financial statements of the funds, wherein the underlying assets are fair valued.

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains strong capital base and 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, issues new shares or purchase/sale of treasury shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021. The Group monitors its capital at the Group level and at each of its subsidiaries.

The Group monitors capital using a gearing ratio "Financial Leverage Ratio", which is net debt divided by total capital plus net debt. The Group includes within net debt, credit facilities granted from banks (such as loans) and debt securities issued (if exist). Capital represents equity after excluding non-controlling interest.

31. CAPITAL MANAGEMENT (continued)

The Group's gearing ratio as at 31 December was as follows:

	2022 *KD 000's*	*2021* *KD 000's*
Credit facilities:		
Long-term loans	**58,077**	75,484
Net debt	**58,077**	75,484
Equity (excluding non-controlling interest and Subordinated perpetual Tier 2 bonds)	**228,981**	213,201
Total capital and net debt	**287,058**	288,685
Gearing ratio	**20.23%**	26.15%

Liabilities arising from insurance contracts are usually checked against designated funds to policyholders as per the regulators of each country of the Group's operations and is monitored on periodic basis through an adequate Asset Liability Model developed at Parent Company level as well as subsidiaries level.

Insurance and reinsurance payables are also monitored against insurance and reinsurance receivables.

All the above ratios are monitored on periodic basis and any breach (if exists) is directly reported to the key management for their information and immediate actions.

32. HYPERINFLATION ADJUSTMENTS OF FOREIGN SUBSIDIARIES

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the statement of financial position date and that corresponding figures for previous periods be stated in the same terms to the latest statement of financial position date. This has been applied in Gulf Sigorta A.S. a subsidiary, and the restatement has been calculated by means of conversion factors derived from the Consumer Price Index (CPI) provided by Turkey Statistical Institute. The conversion factors used to restate the financial statements of the subsidiary are as follows:

	Index	Conversion factor
31 December 2022	1,128.45	1.643
31 December 2021	686.95	1.361
31 December 2020	504.81	1.146
31 December 2019	440.50	1.118
31 December 2018	393.88	1.203

The above-mentioned restatement has been accounted for as follows:

i. Financial statements prepared in the currency of a hyperinflationary economy are stated after applying the measuring unit current at the statement of financial position date and corresponding figures for the previous period are stated on the same basis. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held and items to be recovered or paid in money;

ii. Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and components of shareholders' equity are restated by applying the relevant conversion factors.

iii. All items in the income statement are restated by applying the relevant quarterly average or year-end conversion factors, and

iv. The effect on the net monetary position of the Group is included in the consolidated statement of profit or loss as a monetary gain or loss from hyperinflation.

32. HYPERINFLATION ADJUSTMENTS OF FOREIGN SUBSIDIARIES (continued)

The movement in assets and liabilities due to hyperinflation is as follows:

	31 December 2022 KD 000's
Property and equipment	**154**
Unearned premium reserve	**(5,078)**
Other assets	**(2,273)**
Other impact on the consolidated statement of income and consolidated statement of changes in equity	**(11,601)**
Total impact of hyperinflation	**(18,798)**

Consolidated statement of changes in equity:

	31 December 2022 KD 000's
Hyperinflation adjustment	
Attributable to:	
Equity holders of the Parent Company	**2,092**
Non-controlling interests	**16**
	2,108

Consolidated statement of income:

	31 December 2022 KD 000's
Monetary loss from hyperinflation	
Attributable to:	
Equity holders of the Parent Company	**(16,560)**
Non-controlling interests	**(130)**
	(16,690)
Total impact of hyperinflation	**(18,798)**

P.O. Box: 1040, Safat 13011, Kuwait
Tel.: +965 180 20 80
Fax: +965 22961826
www.gulfinsgroup.com

GIG
مجموعة الخليج للتأمين
GULF INSURANCE GROUP