BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2023

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Building a better working world

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Bupa Arabia for Cooperative Insurance Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bupa Arabia for Cooperative Insurance Company (the "Company") and its subsidiary (collectively referred to as the "Group") as at 31 March 2023, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

for PricewaterhouseCoopers
Certified Public Accountants

Mufaddal A. Ali
Certified Public Accountant
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Jeddah, Kingdom of Saudi Arabia
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Corresponding to 5 June 2023 G

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**31 March 2023 (Unaudited)**	31 December 2022 (Unaudited) Restated*	1 January 2022 (Unaudited) Restated*
ASSETS				
Cash and cash equivalents	5	**2,154,493**	1,287,961	960,585
Reinsurance contract assets	6.2	**50,518**	28,155	59,112
Prepaid expenses and other assets		**424,850**	410,519	284,093
Term deposits	8	**6,345,355**	6,406,848	3,093,163
Financial assets at amortised cost – net	7	**525,797**	526,188	333,566
Financial assets at fair value	7	**3,021,025**	2,852,234	5,372,523
Fixtures, furniture and equipment – net		**69,548**	63,643	69,771
Deferred tax asset	15	**34,678**	40,511	39,829
Due from related parties	14	**-**	3,316	-
Right-of-use assets – net		**160,485**	165,947	112,616
Intangible assets – net		**69,489**	65,413	67,277
Statutory deposit	9	**149,961**	149,961	119,978
Accrued income on statutory deposit	9	**18,042**	16,235	14,885
Goodwill		**98,000**	98,000	98,000
TOTAL ASSETS		**13,122,241**	12,114,931	10,625,398
LIABILITIES				
Accrued and other liabilities		**520,669**	530,715	302,520
Insurance contract liabilities	6.1	**7,487,487**	6,699,185	5,594,345
Reinsurance contract liabilities	6.2	**2,605**	2,605	25,397
Lease liability		**171,955**	184,682	125,333
Due to related parties	14	**1,332**	-	14,051
Provision for end-of-service benefits		**159,446**	154,054	152,286
Provision for zakat and income tax	15	**345,712**	326,566	236,610
Accrued income payable to SAMA	9	**18,042**	16,235	14,885
TOTAL LIABILITIES		**8,707,248**	7,914,042	6,465,427
EQUITY				
Share capital	16	**1,500,000**	1,500,000	1,200,000
Statutory reserve	17	**1,164,724**	1,164,724	992,210
Share based payments reserve		**27,981**	54,268	43,500
Shares held under employees share scheme		**(46,280)**	(78,235)	(53,356)
Retained earnings		**1,834,372**	1,641,591	1,780,557
Re-measurement reserve for end-of-service benefits		**(7,043)**	(7,043)	(23,638)
Investments fair value reserve		**(58,761)**	(74,416)	220,698
TOTAL EQUITY		**4,414,993**	4,200,889	4,159,971
TOTAL LIABILITIES AND EQUITY		**13,122,241**	12,114,931	10,625,398

*Comparative information has been restated (refer note 4).

NADER ASHOOR

Chairman
Loay Hisham Nazer

Director, Deputy CEO and CFO
Nader Mohammed Saleh Ashoor

Director and Chief Executive Officer
Tal Hisham Nazer

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)
For the three-month period ended 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Three-month period ended 31 March 2023	2022 Restated*
Insurance revenue	6	**3,750,413**	2,948,993
Insurance service expense	6	**(3,578,399)**	(2,864,611)
Net expenses from reinsurance contracts held	6	**(3,531)**	(15,856)
Insurance service result		**168,483**	68,526
Investment income on financial assets at amortised cost		**77,499**	23,068
Investment income on financial assets at fair value		**25,181**	59,604
Net impairment loss on financial assets		**(243)**	(203)
Net insurance and investment results		**270,920**	150,995
Other operating expenses, net		**(57,153)**	(47,457)
Other revenue		**24,295**	-
Other cost		**(7,926)**	-
Income attributed to the shareholders before zakat and income tax		**230,136**	103,538
Zakat charge	15	**(21,199)**	(20,337)
Income tax charge	15	**(20,341)**	(22,921)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		**188,596**	60,280
Basic and diluted earnings per share (expressed in SAR per share)	19	**1.26**	0.40

*Comparative information has been restated (refer note 4).

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the three-month period ended 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended 31 March	
	2023	2022 Restated*
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**188,596**	60,280
Other comprehensive income / (loss)		
A. Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods		
Net changes in fair value of investments measured at FVOCI – equity instruments	**4,400**	25,185
B. Items that are or may be reclassified to interim condensed consolidated statements of income in subsequent periods		
Net changes in fair value of investments measured at FVOCI – debt instruments	**11,210**	(42,697)
Net changes in allowance for expected credit losses of investments measured at FVOCI – debt instruments	**45**	(13)
Total other comprehensive income / (loss)	**15,655**	(17,525)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**204,251**	42,755

*Comparative information has been restated (refer note 4).

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For three-month period ended 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

2023	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve end-of-service benefits	Investments fair value reserve	Total equity
Balance at 31 December 2022 (unaudited)	**1,500,000**	**1,164,724**	**54,268**	**(78,235)**	**1,641,591**	**(7,043)**	**(74,416)**	**4,200,889**
Net income for the period attributed to shareholders after zakat and income tax	-	-	-	-	188,596	-	-	188,596
Other comprehensive income	-	-	-	-	-	-	15,655	15,655
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**188,596**	**-**	**15,655**	**204,251**
Provision for employees share scheme	-	-	5,668	-	-	-	-	5,668
Delivery of shares held under employees share scheme	-	-	(31,955)	31,955	-	-	-	-
Income tax refundable from non-Saudi shareholders	-	-	-	-	4,185	-	-	4,185
Balance at 31 March 2023 (unaudited)	**1,500,000**	**1,164,724**	**27,981**	**(46,280)**	**1,834,372**	**(7,043)**	**(58,761)**	**4,414,993**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For three-month period ended 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

2022	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve end-of-service benefits	Investments fair value reserve	Total equity
Balance at 31 December 2021 (audited)	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	245,608	4,195,024
Impact of adopting IFRS 17	-	-	-	-	(34,335)	-	-	(34,335)
Impact of adopting IFRS 9	-	-	-	-	24,192	-	(24,910)	(718)
* Restated balance at 1 January 2022 (unaudited) (note 4)	1,200,000	992,210	43,500	(53,356)	1,780,557	(23,638)	220,698	4,159,971
Net income for the period attributed to shareholders after zakat and income tax	-	-	-	-	60,280	-	-	60,280
Other comprehensive loss	-	-	-	-	-	-	(17,525)	(17,525)
Total comprehensive income / (loss) for the period	-	-	-	-	60,280	-	(17,525)	42,755
Provision for employees share scheme	-	-	5,575	-	-	-	-	5,575
Delivery of shares held under employees share scheme	-	-	(11,623)	11,623	-	-	-	-
Purchase of shares held under employees share scheme	-	-	-	(21,240)	-	-	-	(21,240)
Balance at 31 March 2022 (unaudited)	1,200,000	992,210	37,452	(62,973)	1,840,837	(23,638)	203,173	4,187,061

*Comparative information has been restated (refer note 4).

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

For three-month period ended 31 March 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Three-month period ended 31 March 2023	2022 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to shareholders before zakat and income tax		**230,136**	103,538
Adjustments for non-cash items:			
Depreciation of fixtures, furniture and equipment		**3,697**	4,015
Amortisation of right-of-use assets		**5,462**	3,685
Amortisation of intangible assets		**3,994**	2,972
Provision for employees share scheme		**5,668**	5,575
Net impairment loss on financial assets		**28**	121
Investment income on financial assets at amortized cost		**(77,499)**	(23,068)
Investment income on financial assets at fair value		**(25,181)**	(59,604)
Provision for end-of-service benefits		**7,340**	4,909
Finance cost		**1,635**	1,273
Changes in operating assets and liabilities:			
Insurance contract liabilities		**796,752**	589,822
Reinsurance contract assets		**(22,363)**	(2,300)
Reinsurance contract liabilities		**-**	(271)
Prepaid expenses and other assets		**(14,331)**	(12,497)
Due from related parties		**3,316**	-
Accrued and other liabilities		**(10,046)**	18,518
Due to related parties		**5,517**	11,075
		914,125	647,763
End-of-service benefits paid		**(1,948)**	(1,608)
Surplus paid to policyholders		**(8,450)**	(3,481)
Zakat and income tax paid		**(16,561)**	(17,885)
Net cash generated from operating activities		**887,166**	624,789
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	8	**(1,325,316)**	(1,450,250)
Proceeds from maturity of term deposits	8	**1,449,753**	218,773
Additions to investments carried at fair value	7	**(330,188)**	(3,606,062)
Additions to investments carried at amortised cost	7	**(22)**	-
Disposals of investments carried at fair value	7	**181,313**	4,136,145
Disposal of investments carried at amortised cost	7	**19**	-
Proceeds from commissions and dividends		**35,841**	36,150
Additions to fixtures, furniture and equipment		**(9,602)**	(1,010)
Additions to intangible assets		**(8,070)**	(940)
Net cash used in investing activities		**(6,272)**	(667,194)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of shares held under employees share scheme		**-**	(21,240)
Lease liability paid		**(14,362)**	(6,183)
Net cash used in financing activities		**(14,362)**	(27,423)
Net change in cash and cash equivalents		**866,532**	(69,828)
Cash and cash equivalents at beginning of the period		**1,287,961**	960,585
Cash and cash equivalents at end of the period		**2,154,493**	890,757
Non-cash transactions			
Income tax refundable from non-Saudi shareholders		**4,185**	-
Recognition of lease liability / Right-of-use assets		**-**	204

*Comparative information has been restated (refer note 4).

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The accompanying notes from 1 to 20 an integral part of these interim condensed consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Bupa Arabia for Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce's resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khalediyah District,
Prince Saud Al Faisal Street,
Front of Saudi Airlines Cargo Building,
P.O. Box 23807, Jeddah 21436,
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaan 1428H (corresponding to 10 September 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by the Saudi Central Bank ("SAMA"), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The Company has the following subsidiary:

Name of the subsidiary	**Registration number**	**Country of incorporation**	**Ownership**	**Principal business activity**
Bupa Arabia For Third Party Administration	4030605585	Saudi Arabia	100%	Claims management services

These interim condensed consolidated financial statements comprise the Company and its subsidiary (together referred to as the "Group"). The subsidiary has commenced operations in July 2022 and prior to that subsidiary was dormant.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed consolidated financial statements of the Group have been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organisation for Chartered and Professional Accountants ("SOCPA"). This is the first set of the Group's interim condensed consolidated financial statements in which IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant accounting policies are described in Note 3.

The interim condensed consolidated financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI) and liabilities for defined benefit obligations [Employees' end of service benefits ("EOSBs")] recorded at the present value using the projected unit credit method. The Group's interim condensed consolidated statement of financial position is presented in order of liquidity. The current and non-current classification of the assets and liabilities have not changed since the year ended 31 December 2022.

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2022. The risk management policies are consistent with those as disclosed in the annual consolidated financial statements for the year ended 31 December 2022 except as mentioned in note 4.

The interim condensed consolidated financial statements may not be considered indicative of the expected results for the full year.

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and all amounts are rounded off to the nearest thousand, unless otherwise indicated.

(b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and the accompanying notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

Insurance Contracts

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

The measurement of these insurance contracts also requires significant judgement and estimates. These significant judgement and estimates include risk adjustment (“RA”) and liability for incurred claims – estimate of future cash flows. Refer to note 3 for further details.

(c) Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Company and the financial statements of the subsidiary, as stated in note 1. The financial statements of the subsidiary is prepared for the same reporting period as that of the Group, using consistent accounting policies. Adjustments have been made to the interim condensed consolidated financial statements of the subsidiary, where necessary, to align with the Group’s interim condensed consolidated financial statements.

A subsidiary is the investee that is controlled by the Group. The Group controls an investee only when it 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 amount of its returns.

When the Group has less than a majority of the voting or similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity;
- Rights arising from other contractual arrangements; and
- The Group’s current and potential voting rights granted by equity instruments such as shares.

2. BASIS OF PREPARATION (continued)

(c) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control. Subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. 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; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the condensed consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Seasonality of operations

Due to the seasonality of operations, operating profits are expected to fluctuate from one period to another.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022 except as mentioned below and in note 3(b):

a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Group

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract –
Amendments to IAS 37 Amendments to IFRS 3 Reference to the Conceptual Framework

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

b) Significant accounting policies, including key judgments and estimates

i) IFRS 17 – accounting policies, including key judgments and estimates

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”). The Group has applied the full retrospective approach to each group of insurance contracts.

The Group issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims (“LIC”) and Liability for Remaining Coverage (“LRC”).

Unit of account and measurement model
The Group operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. The PMI business is further divided as Corporate, and Retail and Others based on customer size. All insurance contracts within PMI line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

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

The GMM is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.
The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:
  - Discounted estimates of future cash flows.; and
  - A risk adjustment which is the compensation required for bearing uncertainty; and
- Contractual service margin which is the unearned profit that is recognized as services are provided.

The premium allocation approach (“PAA”) is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Group uses the PAA for measuring contracts with a coverage period of one year or less. The Group is adopting the PAA measurement model for the measurement of LRC for the whole PMI business. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

Initial and subsequent measurement
Groups of insurance contracts issued are initially recognised from the earliest of the following:
• the beginning of the coverage period;
• the date when the first payment from the policyholder is due or actually received, if there is no due date; and
• when the Group determines that a group of contracts becomes onerous.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

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

a. the LRC; and
b. the LIC, comprising the fulfillment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

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

a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
b) decreased for insurance acquisition cash flows paid in the period;
c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on Group's assessment, there are no investment components within insurance contracts issued by the Group.

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

The Group holds quota share reinsurance contract that provide coverage on the PMI insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Group does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model. For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The Group is presenting income/ expense from reinsurance as a net line item in the interim condensed consolidated statement of income.

<u>Liability for Incurred Claims "LIC"</u>
The Group estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Group presents the entire change in risk adjustment as part of insurance service results.

The Group establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported ("IBNR") and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Group. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

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 (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

The Group has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Group has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Group will regularly monitor the time it takes in settling claims from the date they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

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

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

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary.

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

Insurance acquisition costs and directly attributable expenses

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

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Group allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses. The Group amortises the insurance accquistion costs over the contract period.

Other operating expenses

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Insurance service expenses
Insurance service expenses include the following:

a. incurred claims for the period.
b. other incurred directly attributable expenses.
c. insurance acquisition cash flows amortization.
d. changes that relate to past service – changes in the FCF relating to the LIC.
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract
The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the interim condensed consolidated statement of income in insurance service expense. The loss component is then amortized to consolidated condensed interim statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The Group has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

ii) IFRS 9 – accounting policies, including key judgments and estimates

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Group applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.

Financial assets – Classification
On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial assets at amortized cost
Debt Instruments:
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the statement of income.

For an equity investment that is not held for trading, the Group may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the application of those policies in practice.
- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group’s management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, principal is the fair value of the financial asset on initial recognition. Interest is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated condensed interim statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated condensed interim statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated condensed interim statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the interim condensed consolidated condensed interim statement of income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in consolidated condensed interim statement of income as investment income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the consolidated condensed interim statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment

Overview of Expected Credit Loss ("ECL") principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

No impairment loss is recognized on equity instruments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

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

The Group considers debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is determined by using a matrix which uses historical credit loss experience of the Group.

Staging of financial assets

The Group categorizes its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment (continued)

Credit impaired financial asset
At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (more than 90 days);
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.
- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Group considers indicators that are:

- qualitative- e.g., breaches of covenant.
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ECL methodology and measurement
ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

ECL methodology and measurement (continued)

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required, based on a lifetime ECL computation.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment (continued)

<u>Probability of Default (‘PD’)</u>
The probability of default is an estimate of the likelihood of default over a given time horizon.

<u>Loss Given Default (‘LGD’)</u>
Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

<u>Exposure at Default (‘EAD’)</u>
The exposure at default is an estimate of the exposure at a future default date.

<u>Forward looking estimate</u>
While estimating the ECL, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyzes the relationship between key economic trends with the estimate of PD. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

<u>Presentation of allowance for ECL in the statement of financial position</u>
Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Financial liabilities

<u>Classification and derecognition of financial liabilities</u>

The Group classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate (“EIR”). A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of income. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES

As stated in note 2, this is the Group's first interim condensed consolidated financial statements prepared in accordance with the requirements of IFRS 17 and IFRS 9.

The accounting policies set out in note 3 have been applied in preparing the interim condensed consolidated financial statements for the period ended 31 March, 2023 and 31 March, 2022 and in the preparation of an opening IFRS 17 and IFRS 9 statement of financial position at 1 January, 2022 (the Group's date of transition) and 31 December 2022.

In preparing its opening IFRS 17 and IFRS 9 statement of financial position, the Group has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39.

Reclassification impact on the interim condensed consolidated statement of financial position on adoption of IFRS 17

Presentation changes in the interim condensed consolidated statement of financial position are introduced by IFRS 17. The previously reported line items: premiums receivable - net, deferred policy acquisition costs, insurance operations' surplus payable, unearned premiums, outstanding claims, claims incurred but not reported, premium deficiency reserve, claims handling reserve are presented together by portfolio on a single line called insurance contract liabilities. The previously reported line items: reinsurers' share of unearned premiums, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported, reinsurers' balances payable are presented together by portfolio on a single line called reinsurance contract assets or liabilities.

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of insurance contracts that are assets;
- Portfolios of reinsurance contracts that are assets;
- Portfolios of insurance contracts that are liabilities; and
- Portfolios of reinsurance contracts that are liabilities.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Remeasurement impact on the interim condensed consolidated statement of financial position on adoption of IFRS 17

Impact on Equity:

Drivers of Changes in Equity	**Impact on equity on transition to IFRS 17 on 1 January 2022**
Changes in measurement of insurance contract liabilities	(35,017)
Changes in measurement of reinsurance contract assets	682
Total Impact	(34,335)

Impact on Insurance Contract Liabilities:

Drivers of Changes	**Impact on liabilities on transition to IFRS 17 on 1 January 2022**
Risk adjustment	(29,187)
Loss component on onerous contracts	(5,830)
Total Impact	(35,017)

Impact on Reinsurance Contract Asset:

Drivers of Changes	**Impact on assets on transition to IFRS 17 on 1 January 2022**
Reinsurance risk adjustment	682

Reclassification impact on the interim condensed consolidated statement of financial position on adoption of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities, inclusive of the expected credit losses, as at 1 January 2022:

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Particulars	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<u>**Financial Assets:**</u>				
Cash and cash equivalents	Amortized Cost	Amortized Cost	960,758	960,585
Investments:				
Insurance Operations -				
Mutual funds	Available for sale	FVTPL	36,759	36,759
Mutual funds	Held for Trading	FVTPL	1,790,185	1,790,185
Sukuks	Available for sale	FVOCI	654,471	654,471
Sukuks	Held for Trading	FVTPL	18,014	18,014
Sukuks	Held to Maturity	Amortized Cost	100,000	99,982
Accrued Interest on Sukuks	Held to Maturity	Amortized Cost	736	736
Shareholder Operations -				
Equity	Available for sale	FVOCI	58,070	58,070
Equity	Available for sale	FVTPL	271,129	271,129
Mutual funds	Available for sale	FVTPL	144,933	144,933
Mutual funds	Held for Trading	FVTPL	1,394,691	1,394,691
Investments in discretionary portfolios	Available for sale	FVOCI	50,189	50,189
Sukuks	Available for sale	FVOCI	899,038	899,038
Sukuks	Held for Trading	FVTPL	55,044	55,044
Sukuks	Held to Maturity	Amortized Cost	231,250	231,208
Accrued Interest on Sukuks	Held to Maturity	Amortized Cost	1,640	1,640
Term deposits				
Insurance Operations	Held to Maturity	Amortized Cost	2,007,922	2,007,560
Shareholder Operations	Held to Maturity	Amortized Cost	1,085,798	1,085,603
Statutory deposits	Held to Maturity	Amortized Cost	134,885	134,863
Other financial assets	Held to Maturity	Amortized Cost	17,511	17,511

The changes in the classification of financial assets are predominantly due to the mandatory classification of equity instruments (including mutual funds) at FVTPL except for those which on transition the Group has elected to present the changes in fair value in OCI. Sukuks held for trading are required to be classified as FVTPL. Sukuks which meet the requirements of the IFRS 9 business models *hold to collect* and *sell* are classified as FVOCI. The remaining financial assets which have been classified as amortised cost meet the criteria of *held to collect* business model. There are no changes in the classification of financial liabilities in the transition from IAS 39 to IFRS 9.

<u>**Remeasurement impact on the interim condensed consolidated statement of financial position on adoption of IFRS 9**</u>

Impairment of financial assets

The following table reconciles the impairment allowance and provision recorded as per the requirements of IAS 39 as at 31 December 2021 to opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2022. At the transition date and at the reporting date all financial assets were in Stage 1.

Particulars	31 Dec 21 (IAS 39)	Re-classification	Re-measurement	1 Jan 22 (IFRS 9)
Financial assets at amortized cost (IFRS 9)				
Impairment on Amortized cost assets (Sukuks)	-	-	60	60
Impairment on Term deposits	-	-	557	557
Impairment on Cash and Cash equivalents	-	-	173	173
Impairment on Statutory deposits	-	-	22	22
Financial assets at FVOCI (IFRS 9)				
Impairment on assets classified as FVOCI charged to profit or loss	-	-	277	277
Total	**-**	**-**	**1,089**	**1,089**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of financial position as at 1 January 2022.

	1 January 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
ASSETS						
Cash and cash equivalents	960,758	-	-	-	(173)	960,585
Premiums receivable – net	1,761,300	(1,761,300)	-	-	-	-
Reinsurers' share of unearned premiums	27,935	(27,935)	-	-	-	-
Reinsurers' share of outstanding claims	7,207	(7,207)	-	-	-	-
Reinsurers' share of claims incurred but not reported	7,829	(7,829)	-	-	-	-
Reinsurance contract assets	-	58,430	682	-	-	59,112
Deferred policy acquisition costs	201,042	(201,042)	-	-	-	-
Term deposits	3,093,720	-	-	-	(557)	3,093,163
Investments	5,703,773	-	-	(5,703,773)	-	-
Financial assets at amortised cost – net	-	-	-	333,626	(60)	333,566
Financial assets at fair value	-	-	-	5,372,523	-	5,372,523
Prepaid expenses and other assets	113,254	173,215	-	(2,376)	-	284,093
Fixtures, furniture and equipment – net	69,771	-	-	-	-	69,771
Deferred tax asset	39,735	-	-	-	94	39,829
Right-of-use assets – net	112,616	-	-	-	-	112,616
Intangible assets – net	67,277	-	-	-	-	67,277
Statutory deposit	120,000	-	-	-	(22)	119,978
Accrued income on statutory deposit	14,885	-	-	-	-	14,885
Goodwill	98,000	-	-	-	-	98,000
TOTAL ASSETS	**12,399,102**	**(1,773,668)**	**682**	**-**	**(718)**	**10,625,398**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of financial position as at 1 January 2022 (continued)

	1 January 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
LIABILITIES						
Accrued and other liabilities	604,774	(302,254)	-	-	-	302,520
Insurance contract liabilities	-	5,559,328	35,017	-	-	5,594,345
Reinsurance contract liabilities	-	25,397	-	-	-	25,397
Lease liability	125,333	-	-	-	-	125,333
Insurance operations' surplus payable	190,060	(190,060)	-	-	-	-
Reinsurers' balances payable	25,397	(25,397)	-	-	-	-
Unearned premiums	4,709,555	(4,709,555)	-	-	-	-
Outstanding claims	601,168	(601,168)	-	-	-	-
Claims incurred but not reported	1,413,888	(1,413,888)	-	-	-	-
Premium deficiency reserve	74,602	(74,602)	-	-	-	-
Claims handling reserve	21,797	(21,797)	-	-	-	-
Due to related parties	33,723	(19,672)	-	-	-	14,051
Provision for end-of-service benefits	152,286	-	-	-	-	152,286
Provision for zakat and income tax	236,610	-	-	-	-	236,610
Accrued income payable to SAMA	14,885	-	-	-	-	14,885
TOTAL LIABILITIES	**8,204,078**	**(1,773,668)**	**35,017**	**-**	**-**	**6,465,427**
EQUITY						
Share capital	1,200,000	-	-	-	-	1,200,000
Statutory reserve	992,210	-	-	-	-	992,210
Share based payments reserve	43,500	-	-	-	-	43,500
Shares held under employees share scheme	(53,356)	-	-	-	-	(53,356)
Retained earnings	1,790,700	-	(34,335)	25,187	(995)	1,780,557
Re-measurement reserve for end-of-service benefits	(23,638)	-	-	-	-	(23,638)
Investments fair value reserve	245,608	-	-	(25,187)	277	220,698
TOTAL EQUITY	**4,195,024**	**-**	**(34,335)**	**-**	**(718)**	**4,159,971**
TOTAL LIABILITIES AND EQUITY	**12,399,102**	**(1,773,668)**	**682**	**-**	**(718)**	**10,625,398**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of financial position as at 31 December 2022

	31 December 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
ASSETS						
Cash and cash equivalents	1,288,297	-	-	-	(336)	1,287,961
Premiums receivable – net	2,159,183	(2,159,183)	-	-	-	-
Reinsurers' share of unearned premiums	48,265	(48,265)	-	-	-	-
Reinsurers' share of outstanding claims	7,221	(7,221)	-	-	-	-
Reinsurers' share of claims incurred but not reported	12,602	(12,602)	-	-	-	-
Reinsurance contract assets	-	27,256	899	-	-	28,155
Deferred policy acquisition costs	264,931	(264,931)	-	-	-	-
Term deposits	6,408,489	-	-	-	(1,641)	6,406,848
Investments	3,374,302	-	-	(3,374,302)	-	-
Financial assets at amortised cost – net	-	-	-	526,326	(138)	526,188
Financial assets at fair value	-	-	-	2,852,234	-	2,852,234
Prepaid expenses and other assets	147,763	262,725	4,289	(4,258)	-	410,519
Fixtures, furniture and equipment – net	63,643	-	-	-	-	63,643
Deferred tax asset	40,151	-	120	-	240	40,511
Due from related parties	-	3,316	-	-	-	3,316
Right-of-use assets – net	165,947	-	-	-	-	165,947
Intangible assets – net	65,413	-	-	-	-	65,413
Statutory deposit	150,000	-	-	-	(39)	149,961
Accrued income on statutory deposit	16,235	-	-	-	-	16,235
Goodwill	98,000	-	-	-	-	98,000
TOTAL ASSETS	**14,310,442**	**(2,198,905)**	**5,308**	**-**	**(1,914)**	**12,114,931**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of financial position as at 31 December 2022 (continued)

	31 December 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
LIABILITIES						
Accrued and other liabilities	871,560	(340,845)	-	-	-	530,715
Insurance contract liabilities	-	6,602,801	96,384	-	-	6,699,185
Reinsurance contract liabilities	-	2,605	-	-	-	2,605
Lease liability	184,682	-	-	-	-	184,682
Insurance operations' surplus payable	208,021	(208,021)	-	-	-	-
Reinsurers' balances payable	2,605	(2,605)	-	-	-	-
Unearned premiums	5,695,725	(5,695,725)	-	-	-	-
Outstanding claims	601,366	(601,366)	-	-	-	-
Claims incurred but not reported	1,867,017	(1,867,017)	-	-	-	-
Premium deficiency reserve	22,982	(22,982)	-	-	-	-
Claims handling reserve	23,470	(23,470)	-	-	-	-
Due to related parties	42,280	(42,280)	-	-	-	-
Provision for end-of-service benefits	154,054	-	-	-	-	154,054
Provision for zakat and income tax	326,566	-	-	-	-	326,566
Accrued income payable to SAMA	16,235	-	-	-	-	16,235
TOTAL LIABILITIES	**10,016,563**	**(2,198,905)**	**96,384**	**-**	**-**	**7,914,042**
EQUITY						
Share capital	1,500,000	-	-	-	-	1,500,000
Statutory reserve	1,164,724	-	-	-	-	1,164,724
Share based payments reserve	54,268	-	-	-	-	54,268
Shares held under employees share scheme	(78,235)	-	-	-	-	(78,235)
Retained earnings	1,709,186	-	(91,076)	26,015	(2,534)	1,641,591
Re-measurement reserve for end-of-service benefits	(7,043)	-	-	-	-	(7,043)
Investments fair value reserve	(49,021)	-	-	(26,015)	620	(74,416)
TOTAL EQUITY	**4,293,879**	**-**	**(91,076)**	**-**	**(1,914)**	**4,200,889**
TOTAL LIABILITIES AND EQUITY	**14,310,442**	**(2,198,905)**	**5,308**	**-**	**(1,914)**	**12,114,931**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of income for the period ended 31 March 2022

Reclassification impact on interim condensed consolidated statement of income on adoption of IFRS 17

The line-item descriptions in the interim condensed consolidated statement of income have been changed significantly compared with prior year. Previously, the Group reported the following line items:

- Gross premiums written
- Reinsurance premiums ceded – Local
- Reinsurance premiums ceded – International
- Changes in unearned premiums – net
- Gross claims paid
- Reinsurers' share of claims paid
- Changes in outstanding claims
- Changes in claims incurred but not reported
- Changes in premium deficiency reserve
- Changes in claims handling reserves
- Reinsurance share of changes in outstanding claims
- Reinsurance share of changes in claims incurred but not reported
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses
- Selling and marketing expenses
- Other income – net
- Income attributed to the insurance operations

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Net expenses from reinsurance contracts held
- Other operating expenses

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Remeasurement impact on interim condensed consolidated statement of comprehensive income on adoption of IFRS 17 for the period ended 31 March 2022

The remeasurement impact in the interim condensed consolidated statement of income on adoption of IFRS 17 is on account of the following:

- Risk adjustment amounting to SR 28.1 million;
- Loss component on onerous contract amounting to SR 1.5 million; and
- Expected premium adjustment amounting to SR 3.3 million.

Reclassification impact on interim condensed consolidated statement of comprehensive income on adoption of IFRS 9 for the period ended 31 March 2022

- Net impairment loss under IFRS 9 is disclosed separately on the statement of income. Under IAS 39, impairment loss was disclosed as part of investment income.
- Investment income on financial assets at amortised costs and on financial assets at fair value are shown separately on the statement of income instead of presented previously as one line item.
- Under IAS 39, changes in the fair value of both investment in debt instruments and investment in equity instruments classified as available-for-sale were shown together on the statement of comprehensive income. On transition to IFRS 9, the net fair value loss of SR 16.7 million was reclassified from “changes in available-for-sale investments” and shown separately as fair value gain of SR 27.5 million on equity instruments and a fair value loss of SR 44.2 million on debt instruments. Those instruments have been reclassified from available for sale to financial assets at FVOCI on transition.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of income for the period ended 31 March 2022

	31 March 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
REVENUES						
Gross premiums written	4,222,419	(4,222,419)	-	-	-	-
Reinsurance premiums ceded – Local	(1,483)	1,483	-	-	-	-
Reinsurance premiums ceded – International	(25,993)	25,993	-	-	-	-
Net premiums written	**4,194,943**	**(4,194,943)**	**-**	**-**	**-**	**-**
Changes in unearned premiums – net	(1,249,743)	1,249,743	-	-	-	-
Net premiums earned	**2,945,200**	**(2,945,200)**	**-**	**-**	**-**	**-**
Insurance revenue	-	2,945,677	3,316	-	-	2,948,993
Insurance service expense	-	(2,834,936)	(29,675)	-	-	(2,864,611)
Net expenses from reinsurance contracts held	-	(15,867)	11	-	-	(15,856)
Insurance service result	**-**	**94,874**	**(26,348)**	**-**	**-**	**68,526**
UNDERWRITING COSTS & EXPENSES						
Gross claims paid	(2,028,134)	2,028,134	-	-	-	-
Reinsurers' share of claims paid	6,183	(6,183)	-	-	-	-
Net claims paid	**(2,021,951)**	**2,021,951**	**-**	**-**	**-**	**-**
Changes in outstanding claims	(91,486)	91,486	-	-	-	-
Changes in claims incurred but not reported	(463,777)	463,777	-	-	-	-
Changes in premium deficiency reserve	2,229	(2,229)	-	-	-	-
Changes in claims handling reserves	(3,738)	3,738	-	-	-	-
Reinsurance share of changes in outstanding claims	(537)	537	-	-	-	-
Reinsurance share of changes in claims incurred but not reported	789	(789)	-	-	-	-
Net claims incurred	**(2,578,471)**	**2,578,471**	**-**	**-**	**-**	**-**
Policy acquisition costs	(120,868)	120,868	-	-	-	-
Total underwriting costs & expenses	**(2,699,339)**	**2,699,339**	**-**	**-**	**-**	**-**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of income for the period ended 31 March 2022 (continued)

	31 March 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
Investment income on financial assets at amortised cost	-	-	-	23,068	-	23,068
Investment income on financial assets at fair value	-	-	-	58,790	814	59,604
Net impairment loss on financial assets	-	-	-	-	(203)	(203)
NET UNDERWRITING INCOME / NET INSURANCE AND INVESTMENT RESULTS	**245,861**	**(150,987)**	**(26,348)**	**81,858**	**611**	**150,995**
Other operating income / (expenses)						
Allowance for doubtful receivables	(31,346)	31,346	-	-	-	-
General and administrative expenses	(138,457)	138,457	-	-	-	-
Selling and marketing expenses	(27,219)	27,219	-	-	-	-
Investment income – net	81,858	-	-	(81,858)	-	-
Other income – net	14,757	(14,757)	-	-	-	-
Total other operating income / (expenses)	**(100,407)**	**182,265**	**-**	**(81,858)**	**-**	**-**
Income before surplus, zakat & income tax	**145,454**	**31,278**	**(26,348)**	-	611	**150,995**
Income attributed to the insurance operations (transfer to surplus payable)	**(7,501)**	**7,501**	-	-	-	-
Other operating expenses, net	-	(38,779)	-	-	(8,678)	(47,457)
Income attributed to the shareholders before zakat and income tax	**137,953**	-	**(26,348)**	-	**(8,067)**	**103,538**
Zakat charge	(20,337)	-	-	-	-	(20,337)
Income tax charge	(23,548)	-	-	-	627	(22,921)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**94,068**	**-**	**(26,348)**	**-**	**(7,440)**	**60,280**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 March 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of interim condensed consolidated statement of comprehensive income for the period ended 31 March 2022

	31 March 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	94,068	-	(26,348)	-	(7,440)	60,280
Other comprehensive income / (loss)						
A. Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods						
Net changes in fair value of investments measured at FVOCI – equity instruments	-	-	-	27,522	(2,337)	25,185
B. Items that are or may be reclassified to interim condensed consolidated statements of income in subsequent periods						
Net changes in fair value of available-for-sale investments	(16,698)	-	-	16,698	-	-
Net changes in fair value of investments measured at FVOCI – debt instrument	-	-	-	(44,220)	1,523	(42,697)
Net changes in allowance for expected credit losses of FVOCI – debt instruments	-	-	-	-	(13)	(13)
Total other comprehensive income / (loss)	**(16,698)**	**-**	**-**	**-**	**(827)**	**(17,525)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**77,370**	**-**	**(26,348)**	**-**	**(8,267)**	**42,755**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Details of (decrease) / increase in the retained earnings resulting from transition to IFRS 17 and IFRS 9 are as follows:

	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve end-of-service benefits	Investments fair value reserve	Total equity
1 January 2022 (previously reported)	**1,200,000**	**992,210**	**43,500**	**(53,356)**	**1,790,700**	**(23,638)**	**245,608**	**4,195,024**
Reclassifications under IFRS 9	-	-	-	-	25,187	-	(25,187)	-
Recognition of expected credit losses under IFRS 9	-	-	-	-	(1,089)	-	277	(812)
Deferred tax adjustment related to IFRS 9	-	-	-	-	94	-	-	94
Remeasurement under IFRS 17	-	-	-	-	(34,335)	-	-	(34,335)
1 January 2022 (restated)	**1,200,000**	**992,210**	**43,500**	**(53,356)**	**1,780,557**	**(23,638)**	**220,698**	**4,159,971**
31 December 2022 (previously reported)	**1,500,000**	**1,164,724**	**54,268**	**(78,235)**	**1,709,186**	**(7,043)**	**(49,021)**	**4,293,879**
Reclassifications under IFRS 9	-	-	-	-	26,015	-	(26,015)	-
Recognition of expected credit losses under IFRS 9	-	-	-	-	(2,774)	-	620	(2,154)
Deferred tax adjustment related to IFRS 9	-	-	-	-	240	-	-	240
Deferred tax adjustment related to IFRS 17	-	-	-	-	120	-	-	120
Remeasurement under IFRS 17	-	-	-	-	(91,196)	-	-	(91,196)
31 December 2022 (restated)	**1,500,000**	**1,164,724**	**54,268**	**(78,235)**	**1,641,591**	**(7,043)**	**(74,416)**	**4,200,889**

Reclassification adjustment under IFRS 9 relates to reclassification of equity instruments as FVTPL which were classified as available for sales under IAS 39. Refer to note above for explanation of impact.

Other reclassifications

As at 31 December 2022, the order of presentation of Goodwill and deferred tax assets on the consolidated statement of financial position were rearranged to reflect a better presentation in terms of order of liquidity. In prior years, fair value reserves of investments classified as available-for-sale were disaggregated and presented separately between policyholders' operation and shareholders' operation on the interim condensed consolidated statement of financial position and on the interim condensed consolidated statement of changes in equity. Similarly, the changes in the fair values of those investments were disaggregated and presented separately between policyholders' operation and shareholders' operation on the interim condensed consolidated statement of comprehensive income. This has been now combined and presented as one line item on the statement of financial position and the statement of changes in equity. Changes in the fair values of those investments are now presented as one line item on the statement of comprehensive income and on the statement of changes in equity.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Sensitivity analysis

The Group believes that the claim liabilities under insurance contracts outstanding at the reporting periods below are adequate. However, these amounts are not certain and actual payments may differ from the claim's liabilities provided in the interim condensed consolidated financial statements. The insurance results are sensitive to various assumptions. It has not been possible to quantify the sensitivity specific variable such as legislative changes or uncertainties in the estimation process.

	Three-month period ended	
	31 March 2023 (unaudited)	31 March 2022 (unaudited)
Impact on equity and net income of change in claims ratio		
5% Increase	**(183,373)**	(147,260)
5% Decrease	**183,373**	147,260
Impact on equity and net income of change in direct expense ratio – loss component*		
2% Increase	**(124,144)**	(100,146)
2% Decrease	**124,144**	100,146
Impact on equity and net income of change in risk adjustment for non-financial risk		
5% Increase	**(29,310)**	(20,726)
5% Decrease	**26,075**	18,439

* Direct expense ratio is the ratio of sum of directly attributable expenses, acquisition cashflows and surplus for the period to earned premium.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 March 2023 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**
Bank balances	**1,961,305**	**193,739**	**2,155,044**
Less: Impairment allowance	**(466)**	**(85)**	**(551)**
	1,960,839	**193,654**	**2,154,493**

	31 December 2022 (unaudited)		
	Insurance operations	Shareholders' operations	Total
Bank balances	649,270	639,027	1,288,297
Less: Impairment allowance	(173)	(163)	(336)
	649,097	638,864	1,287,961

	1 January 2022 (unaudited)		
	Insurance operations	Shareholders' operations	Total
Bank balances	430,300	30,067	460,367
Term deposits	500,391	-	500,391
Less: Impairment allowance	(168)	(5)	(173)
	930,523	30,062	960,585

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the three-month period ended 31 March 2023, the insurance operations transferred cash of SR 21.9 million to the shareholders' operations (31 December 2022: SR 61 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. INSURANCE AND REINSURANCE CONTRACTS

6.1 Analysis by remaining coverage and incurred claims for insurance contracts

	Period ended 31 March 2023 (unaudited)				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	Total
Insurance contracts issued:					
Opening Insurance Contract Liabilities	3,686,313	61,561	2,841,288	110,023	6,699,185
Insurance revenue	**(3,750,413)**	**-**	**-**	**-**	**(3,750,413)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	3,372,266	76,042	3,448,308
Losses on onerous contracts and reversal of those losses	-	173	-	-	173
Changes that relate to past service - adjustments to the LIC	-	-	28,193	(66,387)	(38,194)
Insurance acquisition cash flows amortization	168,112	-	-	-	168,112
Insurance service expenses	**168,112**	**173**	**3,400,459**	**9,655**	**3,578,399**
Insurance service result	**(3,582,301)**	**173**	**3,400,459**	**9,655**	**(172,014)**
Cash flows					
Premiums received	4,348,524	-	-	-	4,348,524
Claims and other directly attributable expenses paid	-	-	(3,252,177)	-	(3,252,177)
Insurance acquisition cash flows paid	(136,031)	-	-	-	(136,031)
Total cash flows	**4,212,493**	**-**	**(3,252,177)**	**-**	**960,316**
Closing insurance contract liabilities	**4,316,505**	**61,734**	**2,989,570**	**119,678**	**7,487,487**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)

	Year ended 31 December 2022 (unaudited)				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	Total
Insurance contracts issued:					
Opening Insurance Contract Liabilities	3,093,070	80,432	2,331,490	89,353	5,594,345
Insurance revenue	**(12,873,112)**	**-**	**-**	**-**	**(12,873,112)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	11,986,966	107,471	12,094,437
Losses on onerous contracts and reversal of those losses	-	(18,871)	-	-	(18,871)
Changes that relate to past service - adjustments to the LIC	-	-	(361,301)	(86,801)	(448,102)
Insurance acquisition cash flows amortization	578,156	-	-	-	578,156
Insurance service expenses	**578,156**	**(18,871)**	**11,625,665**	**20,670**	**12,205,620**
Insurance service result	**(12,294,956)**	**(18,871)**	**11,625,665**	**20,670**	**(667,492)**
Cash flows					
Premiums received	13,526,214	-	-	-	13,526,214
Claims and other directly attributable Expenses paid	-	-	(11,115,867)	-	(11,115,867)
Insurance acquisition cash flows paid	(638,015)	-	-	-	(638,015)
Total cash flows	**12,888,199**	**-**	**(11,115,867)**	**-**	**1,772,332**
Closing insurance contract liabilities	**3,686,313**	**61,561**	**2,841,288**	**110,023**	**6,699,185**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

	Period ended 31 March 2023 (unaudited)				
	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss recovery component	Estimate of present value of cash flows	RA for non-financial risk	Total
Reinsurance contracts held:					
Opening reinsurance contract assets	(2,669)	-	(24,585)	(901)	(28,155)
Opening reinsurance contract liabilities	2,605	-	-	-	2,605
Net opening balance	**(64)**	**-**	**(24,585)**	**(901)**	**(25,550)**
Reinsurance expense	30,111	-	-	-	30,111
Claims recovered and other directly attributable expenses	-	-	(34,914)	(739)	(35,653)
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	8,679	394	9,073
Net expense from reinsurance contracts held	**30,111**	**-**	**(26,235)**	**(345)**	**3,531**
Cash flows					
Premiums ceded	(44,536)	-	-	-	(44,536)
Recoveries from reinsurance	-	-	18,642	-	18,642
Total cash flows	**(44,536)**	**-**	**18,642**	**-**	**(25,894)**
Closing reinsurance contract assets	(17,094)	-	(32,178)	(1,246)	(50,518)
Closing reinsurance contract liabilities	2,605	-	-	-	2,605
Net closing balance	**(14,489)**	**-**	**(32,178)**	**(1,246)**	**(47,913)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.2 Analysis by remaining coverage and incurred claims for reinsurance contracts (continued)

	Year ended 31 December 2022 (unaudited)				
	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss recovery component	Estimate of present value of cash flows	RA for non-financial risk	Total
Reinsurance contracts held:					
Opening reinsurance contract assets	(8,263)	-	(50,166)	(683)	(59,112)
Opening reinsurance contract liabilities	25,397	-	-	-	25,397
Net opening balance	**17,134**	**-**	**(50,166)**	**(683)**	**(33,715)**
Reinsurance expense	73,952	-	-	-	73,952
Claims recovered and other directly attributable expenses	-	-	(59,002)	(887)	(59,889)
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	14,717	669	15,386
Net expense from reinsurance contracts held	**73,952**	**-**	**(44,285)**	**(218)**	**29,449**
Cash flows					
Premiums ceded	(91,150)	-	-	-	(91,150)
Recoveries from reinsurance	-	-	69,866	-	69,866
Total cash flows	**(91,150)**	**-**	**69,866**	**-**	**(21,284)**
Closing reinsurance contract assets	(2,669)	-	(24,585)	(901)	(28,155)
Closing reinsurance contract liabilities	2,605	-	-	-	2,605
Net closing balance	**(64)**	**-**	**(24,585)**	**(901)**	**(25,550)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. INVESTMENTS

	31 March 2023 (unaudited)			31 December 2022 (unaudited)			1 January 2022 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Financial assets at amortised cost, net	**250,211**	**275,586**	**525,797**	252,279	273,909	526,188	100,718	232,848	333,566
Financial assets at fair value	**942,276**	**2,078,749**	**3,021,025**	1,033,101	1,819,133	2,852,234	2,499,429	2,873,094	5,372,523
	1,192,487	**2,354,335**	**3,546,822**	1,285,380	2,093,042	3,378,422	2,600,147	3,105,942	5,706,089

Details of investments classified as financial assets at fair value are as follows:

	31 March 2023 (unaudited)			31 December 2022 (unaudited)			1 January 2022 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Investments at FVTPL	**45,907**	**424,712**	**470,619**	132,543	345,164	477,707	1,844,958	1,865,797	3,710,755
Investments at FVOCI – Debt	**896,369**	**1,553,913**	**2,450,282**	900,558	1,378,246	2,278,804	654,471	899,038	1,553,509
Investments at FVOCI – Equity	**-**	**100,124**	**100,124**	-	95,723	95,723	-	108,259	108,259
	942,276	**2,078,749**	**3,021,025**	1,033,101	1,819,133	2,852,234	2,499,429	2,873,094	5,372,523

(i) Investments measured at FVTPL comprise of the following:

	31 March 2023 (unaudited)			31 December 2022 (unaudited)			1 January 2022 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	**11,014**	**36,044**	**47,058**	11,014	36,044	47,058	18,014	55,044	73,058
Funds	**34,893**	**376,439**	**411,332**	121,529	292,560	414,089	1,826,944	1,539,624	3,366,568
Equity	**-**	**12,229**	**12,229**	-	16,560	16,560	-	271,129	271,129
	45,907	**424,712**	**470,619**	132,543	345,164	477,707	1,844,958	1,865,797	3,710,755

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. INVESTMENTS (continued)

(ii) Investments at FVOCI – Debt comprise of the following:

	31 March 2023 (unaudited)			31 December 2022 (unaudited)			1 January 2022 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	**896,369**	**1,553,913**	**2,450,282**	900,558	1,378,246	2,278,804	654,471	899,038	1,553,509
	896,369	**1,553,913**	**2,450,282**	900,558	1,378,246	2,278,804	654,471	899,038	1,553,509

(iii) Investments at FVOCI – Equity comprise of the following:

	31 March 2023 (unaudited)			31 December 2022 (unaudited)			1 January 2022 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Equity	**-**	**54,742**	**54,742**	-	52,481	52,481	-	58,070	58,070
Investments in discretionary portfolios	**-**	**45,382**	**45,382**	-	43,242	43,242	-	50,189	50,189
	-	**100,124**	**100,124**	-	95,723	95,723	-	108,259	108,259

(iv) Investments at amortized cost comprise of the following:

	31 March 2023 (unaudited)			31 December 2022 (unaudited)			1 January 2022 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	**250,275**	**275,659**	**525,934**	252,344	273,982	526,326	100,736	232,890	333,626
Impairment allowance on investments at amortised cost	**(64)**	**(73)**	**(137)**	(65)	(73)	(138)	(18)	(42)	(60)
	250,211	**275,586**	**525,797**	252,279	273,909	526,188	100,718	232,848	333,566

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. INVESTMENTS (continued)

The movements in the investments balance, excluding impairment, are as follows:

	31 March 2023 (unaudited)			31 December 2022 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the period / year	**1,285,445**	**2,093,115**	**3,378,560**	2,600,165	3,105,984	5,706,149
Purchased during the period / year	**83,061**	**247,149**	**330,210**	4,482,471	4,383,346	8,865,817
Disposed during the period / year	**(181,332)**	**-**	**(181,332)**	(5,777,805)	(5,412,545)	(11,190,350)
Unrealized gains / (losses) during the period / year, net	**5,102**	**10,553**	**15,655**	(21,730)	14,416	(7,314)
Accrued interest	**275**	**3,591**	**3,866**	2,344	1,914	4,258
	1,192,551	**2,354,408**	**3,546,959**	1,285,445	2,093,115	3,378,560

Movement in loss allowance for investments at amortised cost and FVOCI debt instruments for the period is as follows:

	31 March 2023 (unaudited)			
	Stage 1 12-month ECL	**Stage 2 ECL not Credit impaired**	**Stage 3 Lifetime ECL credit impaired**	**Total**
Balance at the beginning of the period	**(138)**	**-**	**-**	**(138)**
Net charge/(release)	1	-	-	1
Balance at the ending of the period	**(137)**	**-**	**-**	**(137)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. TERM DEPOSITS

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structure with a small allocation in Mudaraba structure. They are mostly denominated in Saudi Arabian Riyals and have an original maturity from more than three-month to more than one year and yield financial income at rates ranging from 1.35% to 5.8% per annum (2022: 1.10% to 5.85%). The movements in term deposits during the period ended 31 March 2023 as follows:

	31 March 2023 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**
Balance at the beginning of the period before impairment	**4,753,100**	**1,655,389**	**6,408,489**
Placed during the period	**925,316**	**400,000**	**1,325,316**
Matured during the period	**(1,331,860)**	**(117,893)**	**(1,449,753)**
Commission income earned during the period	**40,919**	**22,009**	**62,928**
Less: Impairment allowance	**(1,123)**	**(502)**	**(1,625)**
	4,386,352	**1,959,003**	**6,345,355**

	31 December 2022 (unaudited)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the period before impairment	2,007,922	1,085,798	3,093,720
Placed during the period	4,795,854	1,415,869	6,211,723
Matured during the period	(2,153,669)	(883,814)	(3,037,483)
Commission income earned during the period	102,993	37,536	140,529
Less: Impairment allowance	(1,217)	(424)	(1,641)
	4,751,883	1,654,965	6,406,848

Movement in loss allowance for term deposits for the period is as follows:

	31 March 2023 (unaudited)		
	Insurance operations	**Shareholders' operations**	**Total**
Balance at the beginning of the period	**1,217**	**424**	**1,641**
Provision / (release) made during the period	**(94)**	**78**	**(16)**
Balance at end of the period	**1,123**	**502**	**1,625**

	31 December 2022 (unaudited)		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	362	195	557
Provision made during the year	855	229	1,084
Balance at end of the year	1,217	424	1,641

9. STATUTORY DEPOSIT

As required by SAMA Insurance Regulations, the Group deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 150 million, in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 18.04 million (31 December 2022: SR 16.24 million) and this deposit cannot be withdrawn without approval from SAMA. The statutory deposit is shown on the statement of financial position net of impairment allowance.

10. FIDUCIARY ASSETS

During the year ended 31 December 2018, after obtaining SAMA's approvals, the Group entered into a Third Party Administration agreement (TPA) with a customer under which the Group facilitates healthcare services to Customer's employees with specific terms and conditions. The agreement is effective from 1 March 2018. The services are remunerated against administration fees.

In order to fulfil the commitment relating to this agreement, the Group receives funds in advance from the customer to settle anticipated claims from medical service providers. As the Group acts as an agent, the relevant bank balance and related payables at the reporting date, are excluded from the interim statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 373 million as of 31 March 2023 (31 December 2022: SR 259 million and 31 December 2021: SR 260 million).

11. COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

i) The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as at 31 March 2023.

ii) As of 31 March 2023, total letters of guarantee issued by banks amounted to SR 151 million (31 December 2022: SR 140 million).

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability.

a) Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

b) Carrying amounts and fair value

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation to fair value.

	Fair value				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying value**
31 March 2023 (unaudited)					
Financial assets measured at fair value:					
- Investment at FVTPL	**15,872**	**393,617**	**61,130**	**470,619**	**470,619**
- Investment at FVOCI – Debt	**1,843,961**	**606,321**	**-**	**2,450,282**	**2,450,282**
- Investment at FVOCI – Equity	**100,124**	**-**	**-**	**100,124**	**100,124**
	1,959,957	**999,938**	**61,130**	**3,021,025**	**3,021,025**

	Fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
31 December 2022 (unaudited)					
Financial assets measured at fair value:					
- Investment at FVTPL	15,823	390,752	71,132	477,707	477,707
- Investment at FVOCI – Debt	1,675,721	603,083	-	2,278,804	2,278,804
- Investment at FVOCI – Equity	95,723	-	-	95,723	95,723
	1,787,267	993,835	71,132	2,852,234	2,852,234

	Fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
1 January 2022 (unaudited)					
Financial assets measured at fair value:					
- Investment at FVTPL	284,668	3,403,964	22,123	3,710,755	3,710,755
- Investment at FVOCI – Debt	907,876	645,633	-	1,553,509	1,553,509
- Investment at FVOCI – Equity	108,259	-	-	108,259	108,259
	1,300,803	4,049,597	22,123	5,372,523	5,372,523

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and 3 fair value at 31 March 2023 and 31 December 2022, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sukuks and mutual funds	The fair value used for valuation of Level 2 Sukuks and mutual funds are based on prices quoted on reliable and third party sources including Reuters, Bloomberg, etc.	Not applicable	Not applicable
Mutual funds	Mutual funds classified as Level 3 are fair valued based on the latest available NAV adjusted for the fair value which are not observable.	Fair value of underlying assets	The estimated fair value will increase / decrease directly in line with the change in fair value of underlying assets.

Sensitivity analysis:

The impact of change in net assets value reported in level 3 on net income and total equity is as follows:

	Period-ended 31 March 2023 (unaudited)	Year-ended 31 December 2022 (unaudited)
+/- 5% change in net assets value	**+/- 3,057**	**+/- 6,113**
+/- 10% change in net assets value	**+/- 3,557**	**+/- 7,113**

13. OPERATING SEGMENTS

The Group only issues short-term insurance contracts for providing health care services (‘medical insurance’). The Group operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. All the insurance operations of the Group are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two groups that are Corporate and Small and Medium Enterprises & Others (SME & Others). Corporate segment/customer represents members of large corporations, and all others are considered as SME & Others. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. OPERATING SEGMENTS (continued)

Operating segments do not include shareholders' operations of the Group. Segment results do not include investment, other operating expenses, other revenues and other costs. Segment assets and liabilities only include the insurance and reinsurance contract liabilities and assets while the other accounts are not allocated. Consistent with the Group's internal reporting, operating segments have been approved by the management in respect of the Group's activities, assets and liabilities as stated below:

	31 March 2023 (unaudited)		
Operating segments	**Corporate**	**SME & Others**	**Total**
ASSETS			
Asset of Incurred Claims	33,424	-	33,424
Asset of Remaining Coverage	17,094	-	17,094
Reinsurance contract assets	**50,518**	**-**	**50,518**
Unallocated assets			13,071,723
Total assets			**13,122,241**
LIABILITIES			
Liability of Incurred Claims	2,746,187	363,061	3,109,248
Liability of Remaining Coverage	3,729,730	648,509	4,378,239
Insurance contract liabilities	**6,475,917**	**1,011,570**	**7,487,487**
Reinsurance contract liabilities	2,605	-	2,605
Unallocated liabilities			1,217,156
Total liabilities			**8,707,248**

	31 December 2022 (unaudited)		
Operating segments	**Corporate**	**SME & Others**	**Total**
ASSETS			
Asset of Incurred Claims	25,486	-	25,486
Asset of Remaining Coverage	2,669	-	2,669
Reinsurance contract assets	28,155	-	28,155
Unallocated assets			12,086,776
Total assets			12,114,931
LIABILITIES			
Liability of Incurred Claims	2,583,938	367,373	2,951,311
Liability of Remaining Coverage	3,145,212	602,662	3,747,874
Insurance contract liabilities	5,729,150	970,035	6,699,185
Reinsurance contract liabilities	2,605	-	2,605
Unallocated liabilities			1,212,252
Total liabilities			7,914,042

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. OPERATING SEGMENTS (continued)

	1 January 2022 (unaudited)		
Operating segments	**Corporate**	**SME & Others**	**Total**
ASSETS			
Asset of Incurred Claims	50,849	-	50,849
Asset of Remaining Coverage	8,263	-	8,263
Reinsurance contract assets	59,112	-	59,112
Unallocated assets			10,566,286
Total assets			10,625,398
LIABILITIES			
Liability of Incurred Claims	2,210,829	210,014	2,420,843
Liability of Remaining Coverage	2,658,172	515,330	3,173,502
Insurance contract liabilities	4,869,001	725,344	5,594,345
Reinsurance contract liabilities	25,397	-	25,397
Unallocated liabilities			845,685
Total liabilities			6,465,427

	Three-month period ended 31 March 2023 (unaudited)			**Three-month period ended 31 March 2022 (unaudited)**		
	Corporate	**SME & Others**	**Total**	**Corporate**	**SME & Others**	**Total**
Insurance revenue	**3,285,460**	**464,953**	**3,750,413**	2,597,080	351,913	2,948,993
Insurance service expense	**(3,151,090)**	**(427,309)**	**(3,578,399)**	(2,533,206)	(331,405)	(2,864,611)
Net expenses from reinsurance contracts held	**(3,531)**	**-**	**(3,531)**	(15,856)	-	(15,856)
Insurance service result	**130,839**	**37,644**	**168,483**	48,018	20,508	68,526
Investment income on financial assets at amortised cost			**77,499**			23,068
Investment income on financial assets at fair value			**25,181**			59,604
Net impairment loss on financial assets			**(243)**			(203)
Net insurance and investment results			**270,920**			150,995
Other operating expenses, net			**(57,153)**			(47,457)
Other revenue			**24,295**			-
Other costs			**(7,926)**			-
Income attributed to the shareholders before zakat and income tax			**230,136**			103,538
Zakat charge			**(21,199)**			(20,337)
Income tax charge			**(20,341)**			(22,921)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			**188,596**			60,280

The details of gross written premium are as follows:

	Three-month period ended 31 March 2023 (unaudited)	**Three-month period ended 31 March 2022 (unaudited)**
Corporates	**4,064,228**	3,182,327
Medium enterprises	**1,004,614**	752,811
Small enterprises	**297,644**	250,975
Micro enterprises	**30,971**	26,844
Individuals	**12,003**	9,462
	5,409,460	4,222,419

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board members and key management personnel of the Group, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Contract pricing policies and terms are conducted on an arm's length basis and transactions are approved by the Group's management or where required and applicable the Group's Board of Directors. The following are the details of the major related party transactions during the period and their related balances:

Related party	Nature of transaction	Amount of transactions during the period ended income / (expense)		Receivable/(payable) balance as at	
		31 March 2023 (unaudited)	31 March 2022 (unaudited)	**31 March 2023 (unaudited)**	31 December 2022 (unaudited)
Balances included in insurance contract liabilities					
Shareholders and affiliates	Premium issued	**286,745**	26,261	**6,026**	607
Shareholders and affiliates	Claims incurred	**(101,937)**	(14,035)	**(15,291)**	(17,725)
Shareholders	Medical costs charged by providers	**(58,494)**	(44,967)	**(9,895)**	(41,925)
				(19,160)	(59,043)
Balances included in reinsurance contract assets					
Shareholders	Reinsurance Premium ceded	**(64,170)**	(20,060)	**(65,230)**	(45,596)
Balances included in due (to)/from Related Parties					
Shareholders	Expenses charged to/ (from) a related party-net	**38**	33	**2,753**	2,200
Shareholders	Tax equalization – net	**4,185**	-	**38,099**	33,913
Shareholders	Board and committee member remuneration fees	**218**	213	**(921)**	(703)
Bupa Middle East Holdings Two W.L.L. (Affiliate)	Trademark fee	**9,169**	7,382	**(41,263)**	(32,094)
				(1,332)	3,316

The remuneration of the key management personnel during the period ended 31 March is as follows:

	31 March 2023 (unaudited)	31 March 2022 (unaudited)
Short-term benefits	**7,620**	6,884
Long-term benefits	**593**	105
Share based payment transactions	**4,040**	3,841
	12,253	10,830

Short-term benefits include salaries, allowances, annual bonuses and incentives whilst long-term benefits include employees' end of service benefits.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. ZAKAT AND INCOME TAX

Breakup of zakat and income tax charge for the three-month period ended 31 March 2023 and 2022 are as follows:

	Three-months period ended 31 March 2023 (unaudited)	Three-months period ended 31 March 2022 (unaudited) *Restated*
Current zakat charge	**21,199**	20,337
Current tax charge	**14,508**	21,724
Deferred tax charge (note 15.a)	**5,833**	1,197
	20,341	22,921
	41,540	43,258

a) The reconciliation of deferred tax is as follows:

	31 March 2023 (unaudited)	31 December 2022 (unaudited)	31 March 2022 (unaudited)
Opening deferred tax asset	**40,511**	39,829	39,829
Deferred tax (charge) / income	**(5,833)**	682	(1,197)
	34,678	40,511	38,632

Movements in the Zakat and income tax accrued during the period ended 31 March 2023 and year ended 31 December 2022 respectively are as follows:

	Zakat payable	**Income tax payable**	**Total 31 March 2023 (unaudited)**	Total 31 December 2022 (unaudited)
Balance at beginning of the period/year	**264,583**	**61,983**	**326,566**	236,610
Opening balance assumed through consolidation	**-**	**-**	**-**	70
Provided during the period/year	**21,199**	**14,508**	**35,707**	164,728
Payments during the period/year	**-**	**(16,561)**	**(16,561)**	(74,842)
Balance at end of the period/year	**285,782**	**59,930**	**345,712**	326,566

Status of assessments

Bupa Arabia For Cooperative Insurance Company
The Company has filed its zakat and income tax returns for the financial years up to and including the year 2022 with Zakat, Tax and Customs Authority ("ZATCA").

The Company has finalized its zakat and income tax returns with ZATCA for the fiscal periods 2008 through 2016 and 2018. For the year 2017 assessment, totaling SR 35.8 million in additional zakat and tax, the Company has escalated the matter to the General Secretariat of Tax Committees ("GSTC") with the Appeal Committee for Tax Violations and Disputes and their review is awaited. The management believes that these assessments are appropriately provisioned.

Bupa Arabia For Third Party Administration
The Company has filed its zakat and income tax returns for the financial years up to and including the year 2022 with ZATCA. The due zakat and tax under these years and these returns are still under ZATCA's review.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16. SHARE CAPITAL

The authorised, issued and paid-up capital of the Group is SAR 1,500 million at 31 March 2023 (31 December 2022: SAR 1,500 million) consisting of 150 million shares (31 December 2022: 150 million shares) of SAR 10 each. Shareholding structure of the Group is as below:

	31 March 2023 (unaudited)		31 December 2022 (unaudited)	
	Holding percentage	**Amount**	Holding percentage	Amount
Major shareholders	**50.6%**	**758,850**	50.6%	758,850
General Public	**49.4%**	**741,150**	49.4%	741,150
	100%	**1,500,000**	100%	1,500,000

The total shareholders' equity as of 31 March 2023 for Saudi shareholders is SR 2,515 million (31 December 2022: SR 2,396 million) and foreign shareholder is SR 1,916 million (31 December 2022: SR 1,826 million) after incorporating their respective shareholding percentage and impact of zakat, income tax, reimbursement and other adjustments. The above shareholders' equity is arrived after allocating the net income after zakat of SR 109 million and net income after income tax of SR 79 million to Saudi and foreign shareholders, respectively. Retained earnings as of 31 March 2023 for Saudi shareholders is SR 1,041 million (2022: SR 932 million) and foreign shareholder is SR 793 million (2022: SR 710 million). Statutory reserve as of 31 March 2023 for Saudi shareholders is SR 661 million (2022: SR 661 million) and foreign shareholder is SR 504 million (2022: SR 504 million).

Subsequent to the period, on 2 May 2023, the Board of Directors of the Company has recommended a dividend of SR 3.6 per share for the year ended 31 December 2022.

17. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Group carries out this transfer on an annual basis at 31 December. As at 31 March 2023, SR 1,165 million (31 December 2022: SR 1,165 million) had been set aside as a statutory reserve, representing 77.6% (31 December 2022: 77.6%) of the paid-up share capital.

18. CAPITAL MANAGEMENT

Objectives are set by the Board of Directors of the Group to maintain healthy capital ratios to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and the risk characteristics of the Group's activities. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Group has fully complied with the regulatory capital requirements during the reported financial period.

19. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing 'net income attributed to the shareholders after zakat and income tax' amounting to SR 188,596 thousand (2022: SR 60,280 thousand) for the period by the weighted average number of ordinary shares issued and outstanding shares amounting to 150 million shares (2022: 150 million shares) and treasury shares amounting to 404 thousand (2022: 660 thousand shares) at period end. The weighted average number of ordinary shares issued and outstanding at 31 March 2022 have been adjusted for the bonus shares issued during the year ended 31 December 2022.

20. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors, on 5 Duh Al-Qi'dah 1444H corresponding to 25 May 2023.