

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

INDEX	PAGE
Independent auditors' report	1 – 8
Statement of financial position	9
Statement of income	10
Statement of other comprehensive income	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial Statement	14 – 97

INDEPENDENT AUDITORS' REPORT

(1/8)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Report on the audit of the financial statements***Opinion***

We have audited the financial statements of Al-Etihad Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising material accounting policies information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(2/8)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of estimates of present value of cashflows, risk adjustment for non-financial risk and loss component-insurance contract liabilities contracts</p> <p>As at December 31, 2023, estimate of present value of future cash flows, risk adjustment for non-financial risk and loss component amounts to Saudi Riyals 496.88 million, Saudi Riyals 20.49 million and Saudi Riyals 39.98 million (2022: Saudi Riyals 435.86 million, Saudi Riyals 20.18 million and Saudi Riyals 43 million) respectively, as reported in Note 6 to the financial statements.</p> <p>The estimation of the liability for incurred claims and loss component (forming part of liability for remaining coverage) involves a significant degree of judgement. This entails estimating the present value of future cash flows, risk adjustment for non-financial risk and loss component. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The present value of future cash flows is based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The loss component is recognised if at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous. Such loss component is remeasured at each reporting date as the difference between the amounts of the fulfilments cash flows determined under the general measurement model relating to the future service and the carrying amount of the liability for remaining coverage without the loss component.</p> <p>The Company uses an external actuary ("Appointed Actuary") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>Accordingly, this complexity arises from calculating the actuarial best estimate and the margin using historical data which is sensitive to external inputs, such as claims cost inflation, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Assessed the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the present value of the future cashflows, risk adjustment for non-financial risk and loss component by comparing it to the accounting and other records. • Involved our actuarial specialists to assess the Company's methods and assumptions and evaluate the Company's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following: <ul style="list-style-type: none"> (i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; (ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We tested these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and (iii) Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.



El Sayed El Ayouty & Co.
Certified Public Accountants



AlKharashi & Co.
Certified Accountants And Auditors

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(3/8)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from insurance contracts and loss component, we have considered this as a key audit matter.</p> <p><i>Refer to Notes 2 and 3 for the material accounting policies and significant accounting judgements, estimates and assumptions adopted by the Company, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to Note 6 for the movement in insurance contract liabilities.</i></p>	<p>(iv) Our actuarial specialists also performed independent re-projections on present value of future cash flows, risk adjustment for non-financial risk and loss component for significant product lines to compare them with the amounts recorded by management and sought to understand any significant differences.</p> <p>(v) Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</p>

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(4/8)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Adoption of IFRS 17 and IFRS 9</p> <p>During the year ended December 31,2023, the Company has adopted IFRS 17 “Insurance Contracts”, as endorsed in the Kingdom of Saudi Arabia (“IFRS 17”), which replaces IFRS 4 “Insurance Contracts”, as endorsed in the Kingdom of Saudi Arabia (“IFRS 4”) and is effective for annual periods beginning on or after January 01, 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 Company has applied the modified retrospective approach to each group of insurance contracts.</p> <p>The adoption of IFRS 17 resulted in a transition adjustment to the Company's equity as at January 01, 2022 amounting to Saudi Riyals 29.36 million. IFRS 17 introduced new nomenclature for significant insurance-related balances as well as new measurement principles for insurance-related liabilities and insurance revenue recognition.</p> <p>Further, during the year, the Company also adopted IFRS 9 “Financial Instruments”, as endorsed in the Kingdom of Saudi Arabia (“IFRS 9”) which replaces IAS 39 “Financial Instruments: Recognition and Measurement”, as endorsed in the Kingdom of Saudi Arabia (“IAS 39”). The Company had applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For the transition to IFRS 9, the Company applied a modified retrospective approach to be in line with the transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The is no impact on Company's equity as at January 01,2022 on adoption of IFRS 9.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Company's implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Company's accounting policies, systems, processes and controls. • Evaluated and assessed management’s process to identify insurance contracts, to determine the appropriate Companying for such contracts and to determine whether the use of the premium allocation approach (“PAA”) under IFRS 17 was appropriate. • Evaluated whether management’s allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses. • Evaluated and assessed management’s conclusions regarding the Company’s business model for different portfolios of investments and the appropriateness of the Company’s determination of ECL under IFRS 9. • Assessed the adequacy of the transition adjustments impact for both IFRS 17 and IFRS 9 on the opening retained earnings as at January 01, 2022. • Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17 and IFRS 9 made in the financial statements.



El Sayed El Ayouty & Co.
Certified Public Accountants



INDEPENDENT AUDITORS' REPORT (CONTINUED)

(5/8)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>IFRS 9 also required the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Company's investments. It also introduced the concept of Expected Credit Loss (ECL) which is a forward-looking estimate of credit losses for the Company's financial assets.</p> <p>Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Company along with significant changes to presentation and disclosures that were required in the financial statements for the year ended December 31,2023, we have considered this as a key audit matter.</p> <p><i>Refer to Notes 2 and 3 for accounting policy and significant accounting judgements, estimates and assumptions adopted by the Company. The impact of transition is explained in Note 4 to the financial statements.</i></p>	<ul style="list-style-type: none">Assessed the Company's methods, assumptions and accounting policies adopted under IFRS 17 and IFRS 9, with the assistance of our actuarial and accounting specialists and experts.



El Sayed El Ayouty & Co.
Certified Public Accountants



AlKharashi & Co.
Certified Accountants And Auditors

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(6/8)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Other information

The Board of Directors of the Company (the "Directors") is responsible for the other information. The Other information consists of the information included in the Company's 2023 annual report but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (i.e., Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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



El Sayed El Ayouty & Co.
Certified Public Accountants



INDEPENDENT AUDITORS' REPORT (CONTINUED)

(7/8)

To the Shareholders of Al Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditors' responsibilities for the audit of the financial statements (Continued)

As part of an audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



El Sayed El Ayouty & Co.
Certified Public Accountants



AlKharashi & Co.
Certified Accountants And Auditors

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(8/8)

To the Shareholders of Al Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditors' responsibilities for the audit of the financial statements (Continued)

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

For El Sayed El Ayouty & Co.
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March 21, 2024
11 Ramadan 1445 H



AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

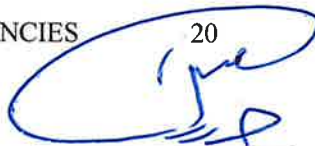
		December 31, 2022 (Unaudited) <i>Restated</i> (Note 4) SR'000	January 1, 2022 (Unaudited) <i>Restated</i> (Note 4) SR'000
	Notes	December 31, 2023 SR'000	SR'000
ASSETS			
Cash and cash equivalents	5	77,374	189,867
Insurance contract assets	6	2,834	866
Reinsurance contract assets	7	111,670	121,782
Investments at amortized cost	8	337,948	88,863
Investments at fair value	8	215,296	213,442
Prepaid expenses and other assets	9	99,053	59,967
Long term/fixed income deposits	10	949,500	763,242
Property and equipment	11	19,820	13,343
Right of use assets	12	6,188	8,338
Goodwill	13	4,497	4,497
Statutory deposit	14	45,000	45,000
Accrued income on statutory deposit		633	6,252
TOTAL ASSETS		1,869,813	1,515,459
LIABILITIES			
Accrued and other liabilities	15	51,076	106,746
Lease liability	12	5,846	7,342
Insurance contract liabilities	6	1,093,272	818,320
Reinsurance contract liabilities	7	7,075	205
End-of-service indemnities	16	19,772	16,916
Zakat and income tax	17	18,960	23,064
Accrued commission income payable to Insurance Authority		2,192	6,252
TOTAL LIABILITIES		1,198,193	978,845
SHAREHOLDERS' EQUITY			
Share capital	18	450,000	450,000
Statutory reserve	19	31,535	12,756
Retained earnings		150,065	74,948
Fair value reserve gain on investments		41,539	-
Remeasurement actuarial loss on end of service indemnities		(1,519)	(1,090)
TOTAL EQUITY		671,620	522,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,869,813	1,422,604

COMMITMENTS AND CONTINGENCIES



Board Member

20



CEO



CFO

The accompanying notes form an integral part of these interim condensed financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

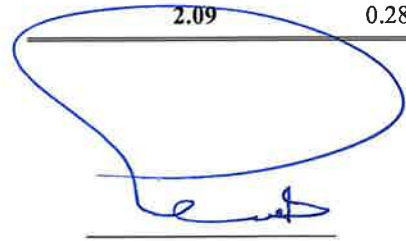
	Notes	2023 SR'000	2022 (Unaudited) SR'000
Insurance revenue	22	1,202,169	1,072,869
Insurance service expenses	22	(1,089,714)	(1,025,295)
Insurance service result before reinsurance contracts held		112,455	47,574
Allocation of reinsurance premiums	22	(89,781)	(67,556)
Amounts recoverable from reinsurers for incurred claims	22	11,154	40,887
Net expense from reinsurance contracts held		(78,627)	(26,669)
Insurance service result		33,828	20,905
Interest revenue calculated using the effective interest rate method	23	51,170	21,738
Net fair value gains/(losses) on financial assets at fair value through profit or loss	23	13,844	(2,999)
Other investment revenue - Dividend income		2,168	4,824
Net impairment loss on financial assets		(200)	-
Investment return		66,982	23,563
Net finance (expenses)/income from insurance contracts issued	24	(10,363)	557
Net finance income/(expenses) from reinsurance contracts held	24	2,880	(623)
Net insurance finance results		(7,483)	(66)
Net insurance and investment result		93,327	44,402
OTHER OPERATING INCOME / (EXPENSES)			
Non-attributable general and administrative expenses	25	(15,418)	(13,293)
Finance cost		(257)	(253)
Other income	26	26,244	346
Total other operating income / (expenses)		10,569	(13,200)
Income for the period before zakat and income tax		103,896	31,202
Zakat and income tax expense	17	(10,000)	(18,500)
Net income for the year attributable to the Shareholders		93,896	12,702
Earnings per share – Basic/diluted	27	2.09	0.28



Board Member



CEO



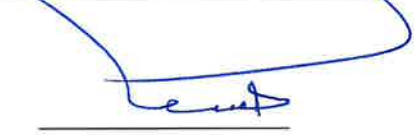


CFO

The accompanying notes form an integral part of these interim condensed financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF OTHER COMPERHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 SR'000	2022 (Unaudited) SR'000
Net Income for the year attributable to the Shareholders	93,896	12,702
<u>Other comprehensive income / (loss)</u>		
<i>Items that are or may be reclassified to statements of income in subsequent periods</i>		
Unrealized fair value changes in financial assets through other comprehensive income (note 8)	41,539	-
<i>Items that will not be reclassified to statement of income in subsequent periods</i>		
Actuarial (loss) / gain on end of service obligations (note 16)	(429)	1,192
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER ZAKAT	135,006	13,894

 <hr style="width: 100%;"/> <p>Board Member</p>	 <hr style="width: 100%;"/> <p>CEO</p>	 <hr style="width: 100%;"/> <p>CFO</p>
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The accompanying notes form an integral part of these interim condensed financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

		Share capital	Statutory reserve	Retained earnings	Fair value reserve gain on investments	Remeasurement actuarial loss on end of service indemnities	Total
	Notes	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
December 31, 2023							
Balance at the beginning of the year as reported previously		450,000	12,756	106,311	(3,809)	(1,090)	564,168
Restatement due to the application of IFRS 17	4	-	-	(27,554)	-	-	(27,554)
Restatement due to the application of IFRS 9	4	-	-	(3809)	3809	-	-
Balance at the beginning of the year (restated)		450,000	12,756	74,948	-	(1,090)	536,614
Net Income for the period attributable to the Shareholders		-	-	93,896	-	-	93,896
Unrealized fair value changes in financial assets through other comprehensive income	8	-	-	-	41,539	-	41,539
Actuarial loss on end of service obligations	16	-	-	-	-	(429)	(429)
Transfers to statutory reserve		-	18,779	(18,779)	-	-	-
Balance at the end of the year		450,000	31,535	150,065	41,539	(1,519)	671,620
December 31, 2022 (unaudited)							
Balance at the beginning of the year as reported previously		400,000	36,298	100,478	17,585	(2,282)	552,079
Adjustment on initial application of IFRS 17	4	-	-	(29,359)	-	-	(29,359)
Adjustment on initial application of IFRS 9	4	-	-	17,585	(17,585)	-	-
Balance at the beginning of the year restated		400,000	36,298	88,704	-	(2,282)	522,720
Net Income for the period attributable to the Shareholders		-	-	12,702	-	-	12,702
Actuarial gain on end of service obligations	16	-	-	-	-	1,192	1,192
Transfers to statutory reserve		-	6,458	(6,458)	-	-	-
Capital increase through bonus shares		50,000	(30,000)	(20,000)	-	-	-
Balance at the end of the year (restated)		450,000	12,756	74,948	-	(1,090)	536,614

Board Member

CEO

CFO

The accompanying notes form an integral part of these interim condensed financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 SR'000	2022 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the period before zakat and income tax		103,896	31,202
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment	11	3,292	3,460
Depreciation charge of right to use assets	12	3,008	2,401
Expected credit loss (Investments)	8	195	-
(Gain)/Loss on investments through profit and loss	8	(13,844)	2,999
Gain on investments at amortize cost	8	(909)	-
Finance cost	12	257	253
Provision for end-of-service indemnities	16	3,773	3,435
<i>Changes in operating assets and liabilities:</i>			
Insurance contract assets		(1,968)	27,311
Reinsurance contract assets		10,112	(17,078)
Prepaid expenses and other assets		(39,086)	(17,844)
Accrued income on statutory deposit		5,619	(765)
Accrued and other liabilities		(55,670)	13,233
Insurance contract liabilities		274,952	64,545
Reinsurance contract liabilities		6,870	(914)
Accrued commission income payable to Insurance Authority		2,192	765
		302,698	113,003
End-of-service indemnities paid	16	(1,346)	(2,867)
Statutory deposit income paid		(6,252)	-
Zakat and income tax paid	17	(14,104)	(20,744)
Net cash generated from operating activities		280,987	89,392
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in financial assets at amortized cost		(248,371)	(69,175)
Net movement in financial assets at fair value		53,529	(3,133)
Net movement in long term/fixed income deposits		(186,258)	(355,566)
Lease payment under IFRS 16	12	(2,611)	(3,119)
Net movement in statutory deposit		-	(5,000)
Additions in property and equipment	11	(9,769)	970
Net cash used in from investing activities		(393,480)	(435,023)
Net change in cash and cash equivalents		(112,493)	(345,631)
Cash and cash equivalents at beginning of the period		189,867	535,498
Cash and cash equivalents at end of the period		77,374	189,867
NON-CASH INFORMATION			
Unrealized fair value changes in financial assets through other comprehensive income	8	41,539	-
Actuarial (loss)/gain charged to other comprehensive income	16	(429)	1,192


Board Member


CEO


CFO

The accompanying notes form an integral part of these interim condensed financial statements

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. GENERAL

Al-EtiHAD Cooperative Insurance Company, (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. M/25 dated 15 Rabea I 1428H corresponding to 3 April 2007. The Company operates under Commercial Registration no. 2051036304 dated 21 Muharram 1429H corresponding to January 30, 2008. The registered address of the Company’s head office is as follows:

Al-EtiHAD Cooperative Insurance Company
Head Office
King Fahad Road
P.O. Box 1022
Khobar 31952, Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the “Law”) and its implementing regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, property, engineering, general accident, and others.

On July 31, 2003, corresponding to 2 Jumada II 1424 H, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 23 Rabea I 1429H, corresponding to March 31, 2008, the Saudi Central Bank (“SAMA”) (Currently: Insurance Authority), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On August 06,2023, the board of director decided to recommend to the extra-ordinary general assembly meeting on the increase of company’s capital from SR 450 million to SR 500 million through bonus shares issuance. The reason of this increase is to strengthen the company’s capital base and to support its future activities. The number of shares grant will be one bonus share for every 9 shares. The capitalization of SR 50 million from the retained earnings is subject to necessary approvals from official authorities on the capital increase and number of shares grant.

2. BASIS OF PREPARATION

(a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”). This is the first full set of the Company’s 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 judgments, estimates and accounting policies are described in Notes 2&3.

The 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 or loss “FVTPL”, investment at their fair value through other comprehensive income “FVTOCI”, and defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method. The Company’s statement of financial position is not presented using a current/non-current classification. Except for property and equipment, right of use assets, statutory deposit, goodwill, end-of-service indemnities, lease liabilities, accrued commission income payable to Insurance Authority, all other assets and liabilities are of short-term nature, unless, stated otherwise.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly under Note 33. Assets, liabilities, revenues and expenses clearly attributable to either activity is recorded in the respective accounts. The basis of the allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. BASIS OF PREPARATION (continued)

(a) Basis of presentation (continued)

In accordance with the requirements of the Regulations issued by Insurance Authority and as per by-laws of the Company, 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 from insurance operations is transferred to the shareholders' operations in full.

The statement of financial position, statements of income, other comprehensive income and cash flows of the insurance operations and shareholder's operations which are presented in note 33 to the financial statements have been provided as supplementary financial statements and to comply with the requirements of the guidelines issued by Insurance Authority implementing regulations. Insurance Authority implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholder's operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholder's operations are uniform for like transactions and events in similar circumstances.

The recognition of separate information of the insurance operations with the financial statements of the Company in the statement of financial position, the statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial statements represents additional supplementary statements required as required by the implementing regulations.

These financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands.

(b) Critical accounting judgments, estimates and assumptions

The preparation of financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

I. Estimation uncertainty

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

Discount rates

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for country risk premium. Management uses judgement to assess liquidity characteristics of the liability cash flows.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

I. Estimation uncertainty (continued)

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17, are all future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts using relevant proxies.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. Such estimates are made using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Company's degree of risk aversion.

Judgement is involved in assessing the most appropriate method to estimate the risk adjustment for non-financial risk and also to choose the most appropriate confidence level to which the risk adjustment for non-financial risk should correspond.

Measurement of the expected credit losses allowance

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL") requires the use of complex models and significant assumptions about future economic conditions and credit behavior. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

A number of factors are also considered in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

II. Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortized cost on the basis of both:

- (a) its business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

For equity investments carried at fair value, management decides whether it should be classified as financial assets carried at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Investments in equity instruments are classified and measured at FVTPL except if the equity investment is not held for trading and is designated by the Company at FVOCI.

Further, even if the asset meets the amortized cost criteria the Company may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For debt securities acquired to match its business model of development of the line of business, the Company classifies these investments as financial assets at fair value through other comprehensive income.

Fair value of financial instruments

For investments in unquoted equity securities, the fair values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples.

Definition and classification

Judgement is required in order to determine whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, which measurement model is applicable:

- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk;
- Whether a contract issued that does not transfer significant insurance risk meets the definition of an investment contract with discretionary participation features;
- Whether contracts that were determined to be within the scope of IFRS 17 meet the definition of an insurance contract with direct participation features, particularly:
 - whether the pool of underlying items is clearly identified;
 - whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and
 - whether the Company expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

II. Judgements (Continued)

Definition and classification (Continued)

- For insurance contracts with a coverage period of more than one year and for which the entity applies the Premium Allocation Approach (PAA), the eligibility assessment as required by paragraphs 53(a), 54, 69(a) and 70 of IFRS 17 might involve significant judgement.

Judgement is involved in combination of insurance contracts and separation of distinct components:

- Combination of insurance contracts – whether the contract with the same or related counterparty achieve or are designed to achieve, an overall commercial effect and require combination;
- Separation – whether components in paragraphs 11–12 of IFRS 17 are distinct (that is, they meet the separation criteria); and
- Separation of contracts with multiple insurance coverage – whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.

Unit of account

Judgement is involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together).

Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts. Similar grouping assessment is required for reinsurance contracts held. Areas of potential judgements include:

- paragraph 17 of IFRS 17 – the determination of contract sets within portfolios and whether the Company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group, as required by paragraph 16 of IFRS 17; and
- paragraphs 18 and 19 of IFRS 17 – judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

For contracts not measured under the PAA, the assessment of the likelihood of adverse changes in assumptions that might result in contracts becoming onerous is an area of potential judgement.

For insurance contracts issued which are measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous Company's profitability and whether any loss component remeasurement is required.

The determination of whether laws or regulations constrain the Company's practical ability to set a different price or level of benefits for policyholders with different risk profiles, so that the Company might include such contracts in the same group, disregarding the aggregation requirements set in paragraphs 14–19 of IFRS 17, is an area of judgement.

Recognition and derecognition

When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition. In particular, after the modification, judgement is applied to determine whether:

- Significant insurance risk still exists;
- There are elements that are to be distinct from the contract;
- Contract boundaries have changed;
- The contract would have to be included in a different group, subject to aggregation requirements; and
- The contract no longer meets the requirements of the measurement mode

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

II. Judgements (Continued)

Fulfilment cash flows ("FCF")

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17.

Judgements might be involved to determine when the Company is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.

Where features such as options and guarantees are included in the insurance contracts, judgement might be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.

The determination of what constitutes an investment component might be an area of judgement significantly affecting amounts of recognized insurance revenue and insurance service expenses, because investment components should be excluded from those.

III Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements have been consistently applied to each of the years presented except for changes in accounting policies due to the adoption of IFRS 17 and IFRS 9.

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards:

- a) IFRS 17 Insurance contracts (“IFRS 17”), and
- b) IFRS 9 Financial Instruments (“IFRS 9”).

The new accounting policies and the impact of the adoption of these new standards are disclosed in note 3.1 and note 3.2 respectively.

A number of new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements. of The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

New standards, amendments and interpretations not yet applied by the Company

(a) New standards, amendments to standards and interpretations

A number of new and amended standards became applicable for the current reporting period.

- A number of narrow-scope amendments to IFRS 3 ‘Business combinations’ (“IFRS 3”), IAS 16 ‘Property, plant and equipment’ (“IAS 16”), IAS 37 ‘Provisions, contingent liabilities and contingent assets’ (“IAS 37”) and some annual improvements on IFRS 1 ‘First-time Adoption of IFRS’ (“IFRS 1”), IFRS 9 ‘Financial instruments’ (“IFRS 9”), IAS 41 ‘Agriculture’ (“IAS 41”) and IFRS 16 ‘Leases’ (“IFRS 16”);
- Lessor forgiveness of lease payments (IFRS 9 and IFRS 16);
- Amendment to IAS –2 - International tax reform - pillar two model rules

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
- Amendment to IAS –2 - deferred tax related to assets and liabilities arising from a single transaction;
- Amendment to IFRS 16 – Leases on sale and leaseback;
- Amendments to IAS 1, Presentation of financial statements’ – non-current liabilities with covenants;
- Amendment to IAS 7 and IFRS 7 – Supplier finance; and
- Amendments to IAS –1 - Lack of Exchangeability.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 IFRS 17 “Insurance Contracts”

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after January 01, 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”). It introduces a model that measures groups of contracts based on the Company’s estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

The company 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”).

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cashflows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Structure and status of the Implementation project

The company has planned its implementation of IFRS 17 standard in line with Saudi Central Bank’s 4-phased implementation approach. Summary of implementation phases are below:

- I. **Gap analysis phase:** Full gap assessment report was completed and submitted to Saudi Central Bank on March 31, 2019 describing all possible gaps observed in applying IFRS 17. This report was followed by quarterly monitoring progress templates ended late 2020.
- II. **Financial and operational impact assessment phase:** This phase aimed to quantify the financial impact of applying IFRS 17 in comparison to IFRS 4. The impact was assessed based on the results of the year ended December 31, 2018. Full assessment reports (Operational impact and financial impact) were completed and submitted to Saudi Central Bank during the year 2020.
- III. **Design and implementation plan phase:** During this phase, the company has designed the architecture of IFRS 17 implementation requirement and planned the implementation accordingly. A large number of policy and decision papers were issued during this phase to streamline the way forward. The company completed and submitted all deliverables of this phase in April 2021.
- IV. **Implementation and dry runs phase:** During this phase, the company onboarded an IFRS17 accounting software, implemented the accounting decisions and actuarial methodologies to the software, adjusted the technical and financial data needed for the IFRS17 software to populate financial results, and managed to complete 3 dry runs according to Saudi Central Bank’s instructions in this regard as the following:
 - 1st dry run for the year ended December 31, 2020. Completed and submitted on November 30, 2021 as planned.
 - 2nd dry run for the year ended December 31, 2021. Completed and submitted on May 31, 2022, as planned.
 - 3rd dry run for the six months period ended June 30, 2022. Completed and submitted on November 15, 2022 as planned.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

The company implemented the below governance structure to ensure proper implementation of the standards is described below:

Governance body	Roles
Board of Directors	Monitor IFRS 17 project status, costs/budgets involved and overall timely completion of IFRS 17 project.
Audit Committee	Oversee the overall progress of IFRS 17 implementation and approve the final deliverables of the 4 phases of implementation. Escalate major issues to Board of directors.
Steering Committee	Supervise the progress of IFRS 17 implementation and approve the measures or actions suggested by the working group. (Report to Audit Committee)
IFRS 17 working group	Monitor day-to-day progress of IFRS 17 implementation against targeted timelines, take remedial actions where required and recommend tasks or measures requiring approval of Steering Committee. This working group includes personnel from finance, actuarial, underwriting, IT and reinsurance department (Report to Steering Committee)

Significant Judgements and Accounting Policy Choices

The Company has applied the following significant accounting policies in the preparation of financial statement under IFRS 17:

a) Contracts within/outside the scope of IFRS 17

A detailed contract review exercise was conducted to the Company’s contracts to distinct between Insurance risks falling withing IFRS17 scope and others falling outside scope, and an assessment of significance of insurance risk. Types of contracts written by company falling within IFRS 17 scope are sub-divided into:

- i. Insurance contracts issued by the company.
- ii. Reinsurance contracts held.

b) Combination/Unbundling of Contracts

The management analyzed the insurance contracts issued / held by the company which are required to be separated under IFRS 17. The company does not have any investment component (other than the 10% cooperative surplus arrangement) or embedded derivative attached to the insurance contracts it issues.

However, the company provides certain non-insurance services attached to the main insurance contracts such as roadside assistance and replacement car. As the risks and cashflows associated with above non-insurance services are highly interrelated with main insurance contracts and given the immateriality of those services, the company does not intend to separate those components from main insurance contracts.

c) Level of Aggregation

The IFRS 17 portfolios design came in line with the current allocation of Lines of businesses as it reflects the way contracts under each one of these portfolios are being managed (managed together) and fulfils the requirement of the standard for level of aggregation (similar risks). Below are the portfolios designed by the company.

There are no new standards issued, however there are a number of amendments to standards which are effective from January 1, 2023, however, management anticipates that these amendments will not have any material effect on the Company’s financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

d) Level of Aggregation (continued)

Direct Portfolios

<u>Portfolio</u>	<u>Description</u>	<u>Classification in the financial statement’s disclosures</u>
Medical Corporate	Medical insurance for corporate entities	Medical
Medical SME	Medical insurance for small businesses	
Medical others	Visitors’ Medical insurance, Tourist and Unique Iqama visas	
Motor comprehensive	Motor vehicles, including both own damage (private and commercial) and third-party liability	Motor
Motor TPL	Motor third-party liability	
Property	Fire, lightning, allied perils and burglary. Business interruption/consequential loss of profits, sabotage and terrorism	Property and Casualty
Engineering	Construction, plant and machinery	
General Accident	Various types of liability indemnity, medical malpractice, financial loss benefits and other risks	
Marine	Marine cargo and hull	

Reinsurance Portfolios

<u>Portfolio</u>	<u>Description</u>	<u>Classification in the financial statement’s disclosures</u>
Medical - Non-Proportional	Excess of loss reinsurance cover for underlying medical insurance products.	Medical
Medical -Proportional	Proportional cover for underlying medical insurance products.	
Motor - Proportional	Proportional reinsurance cover for underlying motor comprehensive and motor third party liability contracts.	Motor
Motor Non-Proportional	Excess of loss reinsurance cover for underlying motor comprehensive and motor third party liability contracts.	
Property - Proportional	Proportional cover for underlying property contracts.	Property and Casualty
Property & Engineering - Non-Proportional	Excess of loss reinsurance cover for underlying property and engineering contracts.	
Engineering - Proportional	Proportional cover for underlying engineering contracts.	
Marine - Non-Proportional	Excess of loss reinsurance cover for underlying marine contracts.	
Marine - Proportional	Proportional cover for underlying marine contracts.	
-A - Proportional	Proportional cover for underlying liability contracts.	

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

e) Level of Aggregation (Continued)

Each portfolio (both Direct and Reinsurance) has been allocated to annual Cohorts based on the decision made for cohort length to be annual and furtherly allocated to 3 groups of contracts shown below:

- i. Contracts that are onerous on initial recognition;
- ii. Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- iii. Remaining contracts group

An insurance contract issued by the Company is recognized from the earliest of:

- i. The beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- ii. When the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- iii. When facts and circumstances indicate that the contract is onerous.

A group of reinsurance contracts is recognized on the following date:

- i. Reinsurance contracts initiated by the Company that provide proportionate coverage: The date on which any underlying insurance contract is initially recognized. This applies to the Company’s quota share reinsurance contracts.
- ii. Other reinsurance contracts initiated by the Company: The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized on that earlier date this applies to the Company’s excess of loss contracts and stop loss reinsurance contracts.

f) Measurement – Overview

Most of the insurance portfolios of the company are of a tenor of one year or less, hence they are eligible for Premium Allocation Approach (PAA). However, certain products in the Engineering and General Accidents direct portfolios together with Risk attaching reinsurance contracts held have coverage periods of greater than one year. For those contracts, the management was able to meet the eligibility criteria for applying PAA approach by estimating no material difference in Liability under both measurement methods.

g) Significant Judgements and Estimates

i. PAA eligibility assessment approach

PAA eligibility assessment approach taken by the company is summarized in the below key steps:

- The volume of projected premium over the next year is linked to the budget driven from the company’s business plan whereas the claims were driven through a combination of historical data and actuarial assumptions and estimations.
- For groups where coverage period is above 12 months, PAA eligibility testing was performed. Where the potential deviation of liability is below the relative materiality threshold, the associated group is deemed eligible for the PAA.
- A relative materiality level of 5% was used to assess significance of differences between GMM and PAA liability at a group level.
- For those groups who failed the criteria above, financial materiality threshold (5% of profit before zakat and tax or 0.5% of GWP) was tested. If the aggregate differences are below the financial materiality threshold, PAA approach can be used.

ii. Discounting methodology

The company is using EIOPA yield curves with an adjustment for country risk premiums.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

g) Significant Judgements and Estimates (Continued)

iii. Risk Adjustment methodology, including correlations, and Confidence level selected

The company is using Mack method on entity level with a selected confidence level of 75th percentile.

iv. CSM release pattern

GMM approach was not used for any group, hence no Contractual Service Margin (CSM) release pattern has been treated. However, below is a summary of company’s policy in treating CSM:

- Determining CSM at initial recognition, at the required level of aggregation
- Calculating and amortizing CSM, recognizing a loss and accreting interest on the CSM balance, at the required level of aggregation.
- Recognizing favorable changes in estimates in income statement that arise after losses were previously recognized in income statement to the extent that these reverse losses that relate to coverage and other services in the future.

v. Onerosity determination

Assessment is done at inception based on 3 years average combined loss ratio adjusted for risk loadings and forward-looking adjustment. The derived adjusted combined ratio is used to assign profitability buckets to groups according to the following arrangements:

- Adjusted Combined loss ratio is above 100%, the group is tagged to be “Onerous group”.
- Adjusted Combined loss ratio is below 30%, the group is tagged to be “No substantial possibility to become Onerous group”.
- Adjusted Combined loss ratio is from 30% to 100%, the group is tagged to be “Other’s group”.

vi. Provision for Doubtful Debts

Expected credit loss (ECL) for insurance receivables is being calculated based on IFRS 9 methodology and reflected on liability of remaining coverage. “Simplified approach” has been applied in calculating ECL for insurance receivables which is based on the calculation of point-in-time probability of default (PiT PD).

vii. Reinsurer Default provision

Expected credit loss (ECL) for Reinsurance receivables has been calculated based on IFRS 9 methodology and reflected on liability of remaining coverage. “Simplified approach” is applied in calculating ECL for Reinsurance receivables.

viii. VAT treatment

VAT liability is treated as normal tax liability to ZATCA.

VAT receivables are treated along with insurance receivables and fulfillment cash flows.

h) Accounting Policy Choices

i. Length of Cohorts

The company has elected to use annual cohort length.

ii. Use of OCI for IFIE (insurance finance income or expenses)

The company is not using OCI option. Insurance finance income or expenses are included in the statement of income.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

h) Accounting Policy Choices (Continued)

iii. Unwinding of Discount on Risk Adjustment (RA)

The company is implicitly performing the unwinding of discount on RA.

iv. Expense Attribution

- Acquisition costs are attributed to Liability of remaining coverage (LRC)
- Attributable expenses are treated as part of Liability of incurred claims (LIC)
- Non attributable general and administrative expenses (G&A) are left with no attribution in separate line item in income statement.

v. Deferral of Acquisition Costs

The company has chosen to defer Acquisition costs which are linked to the coverage of the contracts.

vi. Policyholder Surplus accounting

Policyholders’ surplus is considered as part of liability of Incurred claims (LIC). Period’s movement is considered under insurance service expenses.

i) Presentation and Disclosure

Presentation: Key changes between IFRS4 and IFRS17 Financial Statements are shown in the below schedule:

Statement of Financial Position

IFRS 4 CLASSIFICATION	IFRS 17 CLASSIFICATION
ASSETS	
<ul style="list-style-type: none"> - Premiums and reinsurance receivable - Reinsurers’ share of unearned premiums - Reinsurers’ share of outstanding claims - Reinsurers’ share of claims incurred but not reported. - Deferred policy acquisition costs 	<ul style="list-style-type: none"> - Insurance Contract Assets - Re-insurance Contract Assets
LIABILITIES	
<ul style="list-style-type: none"> - Accounts payable - Accrued and other liabilities (Insurance related portion) - Reinsurers’ payable balances - Unearned premiums - Unearned reinsurance commission - Outstanding claims - Claims incurred but not reported - Additional premium reserves - Other technical reserves - Accumulated surplus payable 	<ul style="list-style-type: none"> - Insurance Contract Liabilities - Reinsurance Contract Liabilities

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

i) Presentation and Disclosure (Continued)

Income Statement

IFRS 4 CLASSIFICATION		IFRS 17 CLASSIFICATION	
Gross written premium (GWP)	XX	Insurance revenue	XX
Premiums ceded to reinsurers	(XX)	Insurance service expenses	(XX)
Net Premium Written	XX	Insurance service result before reinsurance contracts held	XX
Gross claims, benefits and expenses paid	(XX)	Allocation of reinsurance premiums	(XX)
Claims and expenses ceded to reinsurers	XX	Amounts recoverable from reinsurers	XX
Acquisition costs amortization	(XX)	Net income/ (expenses) from reinsurance contracts held	XX
Change in insurance contract liabilities	(XX)	Insurance service result	XX
Total Costs	(XX)	Insurance finance income/ (expense)	(XX)
PROFIT BEFORE TAX	XX	Reinsurance finance income/ (expenses)	XX
		Insurance Finance result	XX
		PROFIT BEFORE TAX	XX

j) Transition

i. Choice of Method

The Company has applied the modified retrospective approach for groups of contracts in the immediate annuity portfolio, as prior to transition, it grouped its contracts from multiple cohorts into a single unit for accounting purposes. The application of the full retrospective approach on transition for these portfolios was determined to be impracticable for the Company, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Company has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

ii. Length of Comparatives

The company has adjusted transitional impact to the opening retained earnings balance of the comparative period i.e., January 1st, 2022. The comparative period 2022 will be restated to reflect IFRS 17 transitional impact.

3.2 IFRS 9 “Financial Instruments”

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 Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

a) Transition

The company has elected to use “modified retrospective approach” as a transition approach for IFRS 9. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of initial application are expected to be recognized in the retained earnings. No restatement of comparative figures has been conducted. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of initial application were recognized in the opening retained earnings and fair value reserve of the current year.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

I. Financial assets and liabilities

i. Initial recognition

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (“ECL”) allowance recognized for financial assets measured at amortized cost and investments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognized the difference as follows:

- a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument’s fair value can be determined using market observable inputs, or realized through settlement.

• **Amortized cost and effective interest rate**

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Interest income is recognized using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, profit income is recognized by applying the effective interest rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

ii. Classification and subsequent measurement of financial assets

The business model of the company reflects how it manages its financial assets to generate cash flows. Business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The company assesses business model on an instrument-by-instrument basis.

The following table summarizes the key features of each type of business model and the accordingly chosen measurement category

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

ii. Classification and subsequent measurement of financial assets (Continued)

BUSINESS MODEL	KEY FEATURES OF THE BUSINESS MODEL	MEASUREMENT CATEGORY
Hold to collect	<ul style="list-style-type: none"> • The objective of the business model is to hold the financial assets to collect contractual cash flows • Sales are incidental to the objectives of the model. 	Amortized cost (subject to meeting the solely payments of principal and interest criteria - SPPI)
Hold to collect and sell	<ul style="list-style-type: none"> • Both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model • Typically, more sales (in frequency and value) than held-to-collect business model 	Fair value through other comprehensive income - FVOCI
FVTPL business model	<ul style="list-style-type: none"> • Business model is neither hold to collect nor hold-to-collect and sell • Assets are held for trading • Collection of contractual cash flows is incidental to the objective of the model • Managing assets on a fair value basis 	Fair Value through profit or loss - FVTPL

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company’s business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the ‘other’ business model and measured at FVTPL.

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments’ cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

ii. Classification and subsequent measurement of financial assets (Continued)

• **Equity instruments:**

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVTPL, except where the Company’s management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company’s policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. The Company has designated its investment in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company, as FVOCI.

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as ‘Dividend income’ when the Company’s right to receive payments is established.

Any gain or loss on the disposal of equity classified as FVOCI will be non- recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

iii. Impairment of financial assets

The Company assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

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

Premiums receivable balances have been classified under insurance contract liabilities and the reinsurers’ receivable balances and reinsurers’ share of outstanding claims and claims incurred but not reported have been classified under reinsurance contract assets, as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers significant insurance risk to the insurer rather than financial risk, which are in the scope of IFRS 17 for impairment.

The Company applies the three-stage model for impairment of financial assets measured at amortized cost and FVOCI, based on changes in credit quality since initial recognition.

Stage 1 (“Performing”) includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses (“ECL”) recognized and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 (“Under-performing”) includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL recognized, but financial income is still calculated

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

iii. Impairment of financial assets (continued)

on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 (“Non-performing”) includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these financial assets, lifetime ECL recognized and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset.

Financial assets are written-off only when there is no reasonable expectation of recovery.

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of income.

iv. Derecognition of financial assets

Financial assets, or a portion thereof, recognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable recognized in statement of income.

v. Classification and subsequent measurement of financial liabilities

All financial liabilities recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective profit method.

vi. Derecognition of financial liabilities

Financial liabilities recognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts recognized in the statement of income.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

Changes to classification and measurement

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

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortized cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and
- Debt instruments at amortized cost.

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 we recognized in retained earnings as of January 1, 2022. There is no impact expected on financial liabilities as a result of transition to IFRS 9.

The following table summarizes the change in classification from existing classification under IAS 39 to IFRS 9.

DESCRIPTION	CLASSIFICATION UNDER IAS 39	CLASSIFICATION UNDER IFRS 9
FINANCIAL ASSETS		
1. Cash and Cash Equivalent (Bank Deposit)	Amortized Cost	Amortized Cost
2. Short term deposits (maturity below 3 months)	Amortized Cost	Amortized Cost
3. Long-term deposit	Amortized Cost	Amortized Cost
4. Held to Maturity-Sukuk	HTM	Amortized Cost
5. Held to Maturity-Sukuk (Failing SPPI test)	HTM	FVTPL
6. Investment fun-s - Sukuk	AFS	FVTPL
7. Statutory Deposit	Amortized Cost	Amortized Cost
8. Available for sale – Equity Security	AFS	FVTPL/FVOCI
9. Other Investment at amortized cost	Amortized Cost	FVTPL
10. Money Market Fund	Cash & Cash Equivalent	FVTPL
NON-FINANCIAL ASSETS		
11. Insurance Receivable		
12. Re-Insurance Receivable	Out of IFRS9 score - results of evaluating these assets under IFRS 9 methodology will be used for IFRS 17 insurance contracts calculations.	
13. Re-Insurance Receivable (Outstanding claims and IBNR)		

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

Changes to the impairment calculation

Under IFRS 9, the Expected credit loss (“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 statement of financial position 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.

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 to present value.

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

Loss Given Default (‘LGD’): 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.

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

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

IFRS 9 impairment applies to financial instruments that are not measured at fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the purview of impairment.

Financial assets that are subject to impairment consist of investment portfolio (debt instruments) and cash and cash equivalents.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.3 Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3.4 Property and equipment

Property and equipment are initially recorded at cost and are carried subsequently at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	10
Furniture, fixtures and office equipment	4 - 10

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

3.5 Intangible assets

Intangible assets are initially recorded at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset comprises of software and related implementation costs. All these costs relating to the software package are deferred and amortized using the straight-line method over a period of five years. The amortization expense on intangible assets recognized in the statement of income.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.6 Commission, dividend income and other income

Commission income on short-term deposits and long-term deposits is recognized on a time proportion basis using the effective interest rate method and are disclosed under 'Investment and commission income' in statement of income. Dividend income is recognized when the right to receive a dividend is established and is included under realized gain on FVTPL investments in the statement of income. Income from IDI and Umrah products medical, general and accident insurance fund, is recognized as other income on the basis of quarterly financial statements released by their Fund Manager i.e. The Company for Cooperative Insurance.

3.7 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

3.9 Term deposits

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement.

Long-term deposit represents deposit with maturity of more than one year from the date of placement and is placed with a financial institution carrying commission income.

3.10 Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the Rou asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.10 Lease liabilities (continued)

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related Rou asset) whenever:

the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

3.11 Right-of-use assets (“ROU”)

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37 “Provisions, contingent liabilities and contingent assets.

3.12 Provisions and other liabilities

Provisions are recognized when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.13 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in the statement of income and while unwinding of the liability at discount rates used are recorded in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in the statement of comprehensive income and transferred to retained earnings in the statement of changes in equity in the year in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

3.14 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of adjusted net income for the year. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

a) Zakat

The Company is subject to zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

b) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, and is charged to the statement of income.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.14 Zakat and income tax (continued)

b) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the year in which such assessments are made.

c) Deferred tax

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, and for the carry forward losses in the financial statements, if any. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9

In preparing its opening IFRS 17 and IFRS 9 statement of financial position, and statement of income, and of statement of comprehensive income as at January 01,2022 and December 31, 2022 (as mentioned in the below schedules). The company has restated amounts reported previously in financial statements under IFRS 4 and IAS 39. Moreover, the Company has applied accounting policies to apply the requirements of IFRS 17 and IFRS 9 (refer to note 3). The following schedule clarifies these adjustments on statement of financial position, statement of income and statement of comprehensive income.

Estimated Change in the Company's Total Equity due to initial application of IFRS 17

The Company calculated that, on adoption of IFRS 17, the overall transitional impact (before tax) was reduction in the Company's total equity of (SAR 29,359,493) as at January 1, 2022. The following schedule clarifies the sources of this impact of transition from IFRS 4 to IFRS 17 on Equity, Assets and Liabilities as at January 1,2022.

Drivers of Changes in Equity	Impact on Equity	Impact on Liabilities	Impact on Assets
	'SR'000		
Additional Loss component	(28,940)	28,940	-
Release of Premium deficiency reserve (replaced with loss component)	14,186	(14,186)	-
Additional Risk Adjustment (Direct portfolios)	(22,539)	22,539	-
Discounting impact on direct portfolios	6,959	(6,959)	-
Additional Risk Adjustment (RI Portfolios)	2,955	-	(2,955)
Discounting impact on RI portfolios	(1,980)	-	1,980
Total Impact	(29,359)	30,334	(975)

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of statement of financial position as at January 1, 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
Assets				
Cash and cash equivalents	535,498	-	-	535,498
Premiums and reinsurance receivable, net	164,107	(164,107)	-	-
Reinsurers 'share of unearned premiums	23,550	(23,550)	-	-
Reinsurers 'share of outstanding claims	77,842	(77,842)	-	-
Reinsurers 'share of claims incurred but not reported	15,919	(15,919)	-	-
Deferred policy acquisition costs	34,263	(34,263)	-	-
Insurance contract assets	-	28,177	-	28,177
Reinsurance contract assets	-	104,704	-	104,704
Investments at amortized cost	45,520	-	(25,832)	19,688
Investments at fair value	187,476	-	25,832	213,308
Prepaid expenses and other assets	65,739	(23,616)	-	42,123
Long term / fixed income deposits	407,676	-	-	407,676
Property and equipment, net	17,773	-	-	17,773
Right-of-use assets	3,673	-	-	3,673
Goodwill	4,497	-	-	4,497
Statutory deposit	40,000	-	-	40,000
Accrued income on statutory deposit	5,487	-	-	5,487
Total Assets	1,629,020	(206,416)	-	1,422,604
Liabilities				
Accounts payable	31,870	(31,870)	-	-
Accrued and other liabilities	129,277	(35,764)	-	93,513
Lease liabilities	3,142	-	-	3,142
Reinsurers 'payable balances	12,946	(12,946)	-	-
Unearned premiums	483,495	(483,495)	-	-
Unearned reinsurance commission	4,844	(4,844)	-	-
Outstanding claims	242,697	(242,697)	-	-
Claims incurred but not reported	94,589	(94,589)	-	-
Additional premium reserves	14,849	(14,849)	-	-
Other technical reserves	8,388	(8,388)	-	-
Insurance contract liabilities	-	753,775	-	753,775
Reinsurance contract liabilities	-	1,119	-	1,119
End of service indemnities	17,540	-	-	17,540
Zakat and income tax	25,308	-	-	25,308
Accrued commission income payable to Insurance Authority	5,487	-	-	5,487
Accumulated surplus payable	2,509	(2,509)	-	-
Total liabilities and accumulated surplus	1,076,941	(177,057)	-	899,884
Shareholders' Equity				
Share capital	400,000	-	-	400,000
Statutory reserve	36,298	-	-	36,298
Retained earnings	100,478	(29,359)	17,585	88,704
Remeasurement actuarial loss on end of service indemnities	(2,282)	-	-	(2,282)
Fair value reserve on investments	17,585	-	(17,585)	-
Total shareholders' equity	552,079	(29,359)	-	522,720
Total liabilities, accumulated surplus and equity	1,629,020	(206,416)	-	1,422,604

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of statement of financial position as at December 31, 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
Assets				
Cash and cash equivalents	189,867	-	-	189,867
Premiums and reinsurance receivable, net	223,255	(223,255)	-	-
Reinsurers 'share of unearned premiums	29,167	(29,167)	-	-
Reinsurers 'share of outstanding claims	87,338	(87,338)	-	-
Reinsurers 'share of claims incurred but not reported	14,593	(14,593)	-	-
Deferred policy acquisition costs	34,246	(34,246)	-	-
Insurance contract assets	-	866	-	866
Reinsurance contract assets	-	121,782	-	121,782
Investments at amortized cost	136,487	-	(47,624)	88,863
Investments at fair value	165,818	-	47,624	213,442
Prepaid expenses and other assets	89,189	(29,222)	-	59,967
Long term / fixed income deposits	763,242	-	-	763,242
Property and equipment, net	13,343	-	-	13,343
Right-of-use assets	8,338	-	-	8,338
Goodwill	4,497	-	-	4,497
Statutory deposit	45,000	-	-	45,000
Accrued income on statutory deposit	6,252	-	-	6,252
Total Assets	1,810,632	(295,173)	-	1,515,459
Liabilities				
Accounts payable	49,907	(49,907)	-	-
Accrued and other liabilities	145,052	(38,306)	-	106,746
Lease liabilities	7,342	-	-	7,342
Reinsurers 'payable balances	18,221	(18,221)	-	-
Unearned premiums	574,474	(574,474)	-	-
Unearned reinsurance commission	5,535	(5,535)	-	-
Outstanding claims	280,951	(280,951)	-	-
Claims incurred but not reported	100,780	(100,780)	-	-
Additional premium reserves	4,739	(4,739)	-	-
Other technical reserves	10,498	(10,498)	-	-
Insurance contract liabilities	-	818,320	-	818,320
Reinsurance contract liabilities	-	205	-	205
End of service indemnities	16,916	-	-	16,916
Zakat and income tax	23,064	-	-	23,064
Accrued commission income payable to Insurance Authority	6,252	-	-	6,252
Accumulated surplus payable	2,733	(2,733)	-	-
Total liabilities and accumulated surplus	1,246,464	(267,619)	-	978,845
Shareholders' Equity				
Share capital	450,000	-	-	450,000
Statutory reserve	12,756	-	-	12,756
Retained earnings	106,311	(27,554)	(3,809)	74,948
Remeasurement actuarial loss on end of service indemnities	(1,090)	-	-	(1,090)
Fair value reserve on investments	(3,809)	-	3,809	-
Total Shareholders' Equity	564,168	(27,554)	-	536,614
Total liabilities, accumulated surplus and equity	1,810,632	(295,173)	-	1,515,459

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of statement of income for the year ended December 31, 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
REVENUES				
Gross premiums written	1,176,701	(1,176,701)	-	-
Reinsurance premiums ceded – Local	(6,288)	6,288	-	-
Reinsurance premiums ceded – International	(53,310)	53,310	-	-
Excess of loss expenses (XOL)	(28,533)	28,533	-	-
Net premiums written	1,088,570	(1,088,570)	-	-
Changes in unearned premiums – net	(85,362)	85,362	-	-
Net premiums earned	1,003,208	(1,003,208)	-	-
Reinsurance commission income	12,744	(12,744)	-	-
Other underwriting income	22,004	(22,004)	-	-
Total Revenues	1,037,956	(1,037,956)	-	-
UNDERWRITING COSTS & EXPENSES				
Gross claims paid	(771,641)	771,641	-	-
Reinsurers' share of claims paid	20,985	(20,985)	-	-
Net claims and other benefits paid	(750,656)	750,656	-	-
Changes in outstanding claims, net	(28,758)	28,758	-	-
Changes in incurred but not reported (IBNR) claims, net	(7,518)	7,518	-	-
Change in other technical reserves movement	(2,109)	2,109	-	-
Net claims incurred	(789,041)	789,041	-	-
Additional premium reserves	10,110	(10,110)	-	-
Policy acquisition costs	(74,185)	74,185	-	-
Other underwriting expenses	(61,826)	61,826	-	-
Total Underwriting Costs and Expenses	(914,942)	914,942	-	-
Net Underwriting Income	123,014	(123,014)	-	-
Insurance revenue	-	1,072,869	-	1,072,869
Insurance service expense	-	(1,025,295)	-	(1,025,295)
Insurance service result before reinsurance contracts held	-	47,574	-	47,574
Allocation of reinsurance premiums	-	(67,556)	-	(67,556)
Amounts recoverable from reinsurers for incurred claims	-	40,887	-	40,887
Net expenses from reinsurance contracts held	-	(26,669)	-	(26,669)
Insurance service result	-	20,905	-	20,905
Interest revenue calculated using the effective interest method	-	-	21,738	21,738
Net fair value gain on financial assets at fair value through profit or loss	-	-	(2,999)	(2,999)
Other investment revenue (Dividend income)	-	-	4,824	4,824
Investment return	-	-	23,563	23,563
Net Finance income from insurance contracts issued	-	557	-	557
Net Finance expenses from reinsurance contracts held	-	(623)	-	(623)
Net insurance finance results	-	(66)	-	(66)
Net insurance and investment result	-	20,839	23,563	44,402
Other operating income / (expenses)				
Allowance for doubtful debts	(6,936)	6,936	-	-
General and administrative expenses	(111,334)	98,041	-	(13,293)
Murabaha income on deposits	21,738	-	(21,738)	-
Realized gain on investments	18,395	-	(18,395)	-
Dividend and investment income	5,985	-	(5,985)	-
Investment expenses	(1,162)	-	1,162	-
Finance cost	(253)	-	-	(253)
Other income	4,077	(3,731)	-	346
Total Other Operating Expenses	(69,490)	101,246	(44,956)	(13,200)
Net income for the year before zakat and tax	53,524	(929)	(21,393)	31,202
Zakat and income tax expense	(18,500)	-	-	(18,500)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	35,024	(929)	(21,393)	12,702

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of statement of comprehensive income for the year ended December 31, 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	35,024	(929)	(21,393)	12,702

Other comprehensive income

Items that are or may be reclassified to statements of income in subsequent periods

Unrealized fair value changes in available-for-sale investments	(1,147)	-	1,147	-
Realization of gain on sale of available for sale investment	(20,246)	-	20,246	-

Items that will not be reclassified to statement of income in subsequent periods

Actuarial gain on end of service obligations	1,192	-	-	1,192
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER ZAKAT	14,823	(929)	-	13,894
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5. CASH AND CASH EQUIVALENTS

	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>	
	<i>December 31, 2023</i>	<i>December 31, 2022 Unaudited</i>	<i>December 31, 2023</i>	<i>December 31, 2022 Unaudited</i>	<i>December 31, 2023</i>	<i>December 31, 2022 Unaudited</i>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cash at banks						
- Current accounts	67843	45,453	9,535	10,765	77,378	56,218
- Money market fund	-	15,737	-	-	-	15,737
- Short term deposits		117,912	-	-	-	117,912
Less: Allowance for credit loss (Stage 1)	(3)	-	(1)	-	(4)	-
	67,840	179,102	9,534	10,765	77,374	189,867

Cash at bank and units in money market funds are placed with counterparties that have high credit reliability.

Short-term deposits are placed with local and foreign banks with an original maturity of less than three month from the date of placement and earn commission income at an average rate from 4.05% to 5.81% (2022: average rate from 1% to 4.7%) per annum.

6. INSURANCE CONTRACT LIABILITIES (ASSETS)

The following reconciliations which are presented according to the requirement of IFRS 17 clarifies the movement of Liability of remaining coverage (LRC) and liability of Incurred claims (LIC) during the year ended December 31, 2023, and the year ended December 31, 2022 for total insurance portfolios of the company.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6. INSURANCE CONTRACT LIABILITIES (ASSETS) (continued)

	For the year ended December 31, 2023				
	LRC		LIC		Total SR'000
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	
Insurance contract liabilities as at January 01, 2023	319,345	43,005	435,788	20,182	
Insurance contract assets as at as at January 01, 2023	(935)	-	68	1	(866)
Net insurance contract liabilities as at as at January 01, 2023 (Unaudited)	318,410	43,005	435,856	20,183	817,454
Insurance revenue	(1,202,169)	-	-	-	(1,202,169)
Incurring claims and other expenses	-	-	948,255	10,851	959,106
Amortization of insurance acquisition cash flows	166,184	-	-	-	166,184
Losses on onerous contracts and reversals of those losses	-	(3,021)	-	-	(3,021)
Changes to liabilities for incurred claims	-	-	(22,009)	(10,546)	(32,555)
Insurance service expenses	166,184	(3,021)	926,246	305	1,089,714
Insurance service result	(1,035,985)	(3,021)	926,246	305	(112,455)
Insurance finance expenses	-	-	10,363	-	10,363
Total changes in the statement of income and OCI	(1,035,985)	(3,021)	936,609	305	(102,092)
Cash flows					
Premiums received	1,439,909	-	-	-	1,439,909
Claims and other expenses paid	-	-	(875,586)	-	(875,586)
Insurance acquisition cash flows	(179,236)	-	-	-	(179,236)
Total cash inflow/(outflow)	1,260,673	-	(875,586)	-	385,087
Other movements	(10,011)	-	-	-	(10,011)
Net insurance contract liabilities as at December 31, 2023	533,087	39,984	496,879	20,488	1,090,438
Insurance contract liabilities as at as at December 31, 2023	536,021	39,984	496,781	20,486	1,093,272
Insurance contract assets as at as at December 31, 2023	(2,934)	-	98	2	(2,834)
Net insurance contract liabilities as at as at December 31, 2023	533,087	39,984	496,879	20,488	1,090,438

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6. INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

	For the year ended December 31, 2022 (Unaudited)				
	LRC		LIC		Total
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	SR'000
Insurance contract liabilities as at January 01, 2022	337,027	28,940	367,766	20,042	753,775
Insurance contract assets as at January 01, 2022	(56,200)	-	25,526	2,497	(28,177)
Net insurance contract liabilities as at January 01, 2022 (Unaudited)	280,827	28,940	393,292	22,539	725,598
Insurance revenue	(1,072,869)	-	-	-	(1,072,869)
Incurred claims and other expenses	-	-	956,647	12,019	968,666
Amortization of insurance acquisition cash flows	136,012	-	-	-	136,012
Losses on onerous contracts and reversals of those losses	-	14,065	-	-	14,065
Changes to liabilities for incurred claims	-	-	(79,073)	(14,375)	(93,448)
Insurance service expenses	136,012	14,065	877,574	(2,356)	1,025,295
Insurance service result	(936,857)	14,065	877,574	(2,356)	(47,574)
Insurance finance expenses	-	-	(557)	-	(557)
Total changes in the statement of income and OCI	(936,857)	14,065	877,017	(2,356)	(48,131)
Cash flows					
Premiums received	1,161,675	-	-	-	1,161,675
Claims and other expenses paid	-	-	(834,453)	-	(834,453)
Insurance acquisition cash flows	(137,393)	-	-	-	(137,393)
Total cash inflow/(outflow)	1,024,282	-	(834,453)	-	189,829
Other movements	(49,842)	-	-	-	(49,842)
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	318,410	43,005	435,856	20,183	817,454
Insurance contract liabilities as at December 31, 2022 (Unaudited)	319,345	43,005	435,788	20,182	818,320
Insurance contract assets as at December 31, 2022 (Unaudited)	(935)	-	68	1	(866)
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	318,410	43,005	435,856	20,183	817,454

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6 INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

6.1 Medical

	For the year ended December 31 2023				
	LRC		LIC		Total SR'000
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	
Insurance contract liabilities as at January 01, 2023	139,487	-	112,661	3,765	
Insurance contract assets as at as at January 01, 2023	(935)	-	68	1	(866)
Net insurance contract liabilities as at as at January 01, 2023 (Unaudited)	138,552	-	112,729	3,766	255,047
Insurance revenue	(464,207)	-	-	-	(464,207)
Incurred claims and other expenses	-	-	332,343	2,530	334,873
Amortization of insurance acquisition cash flows	67,611	-	-	-	67,611
Losses on onerous contracts and reversals of those losses	-	12,136	-	-	12,136
Changes to liabilities for incurred claims	-	-	391	(3,750)	(3,359)
Insurance service expenses	67,611	12,136	332,734	(1,220)	411,261
Insurance service result	(396,596)	12,136	332,734	(1,220)	(52,946)
Insurance finance expenses	-	-	3,464	-	3,464
Total changes in the statement of income and OCI	(396,596)	12,136	336,198	(1,220)	(49,482)
Cash flows					
Premiums received	439,815	-	-	-	439,815
Claims and other expenses paid	-	-	(355,222)	-	(355,222)
Insurance acquisition cash flows	(62,317)	-	-	-	(62,317)
Total cash inflow/(outflow)	377,498	-	(355,222)	-	22,276
Other movements	(442)	-	-	-	(442)
Net insurance contract liabilities as at December 31, 2023	119,012	12,136	93,705	2,546	227,399
Insurance contract liabilities as at as at December 31, 2023	121,946	12,136	93,607	2,544	230,233
Insurance contract assets as at as at December 31, 2023	(2,934)	-	98	2	(2,834)
Net insurance contract liabilities as at December 31, 2023	119,012	12,136	93,705	2,546	227,399

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6 INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

6.1 Medical (continued)

	For the year ended December 31, 2022, Unaudited)				
	LRC		LIC		Total
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	SR'000
Insurance contract liabilities as at January 01, 2022	206,894	-	102,513	8,205	317,612
Insurance contract assets as at January 01, 2022	(56,200)	-	25,526	2,497	(28,177)
Net insurance contract liabilities as at January 01, 2022 (Unaudited)	150,694	-	128,039	10,702	289,435
Insurance revenue	(494,829)	-	-	-	(494,829)
Incurred claims and other expenses	-	-	355,604	3,765	359,369
Amortization of insurance acquisition cash flows	69,631	-	-	-	69,631
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(27,513)	(10,701)	(38,214)
Other methodology difference	-	-	(351)	-	(351)
Insurance service expenses	69,631	-	327,740	(6,936)	390,435
Insurance service result	(425,198)	-	327,740	(6,936)	(104,394)
Insurance finance expenses	-	-	185	-	185
Total changes in the statement of income and OCI	(425,198)	-	327,925	(6,936)	(104,209)
Cash flows					
Premiums received	513,733	-	-	-	513,733
Claims and other expenses paid	-	-	(343,234)	-	(343,234)
Insurance acquisition cash flows	(66,622)	-	-	-	(66,622)
Total cash inflow/(outflow)	447,111	-	(343,234)	-	103,877
Other movements	(34,056)	-	-	-	(34,056)
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	138,551	-	112,730	3,766	255,047
Insurance contract liabilities as at December 31, 2022 (Unaudited)	139,486	-	112,662	3,765	255,913
Insurance contract assets as at December 31, 2022 (Unaudited)	(935)	-	68	1	(866)
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	138,551	-	112,730	3,766	255,047

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6 INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

6.2 Motor

	For the year ended December 31, 2023				
	LRC		LIC		Total SR'000
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	
Insurance contract liabilities as at January 01, 2023	171,686	31,277	194,153	7,991	
Insurance contract assets as at as at January 01, 2023	-	-	-	-	-
Net insurance contract liabilities as at as at January 01, 2023 (Unaudited)	171,686	31,277	194,153	7,991	405,107
Insurance revenue	(652,270)	-	-	-	(652,270)
Incurred claims and other expenses	-	-	577,021	6,331	583,352
Amortization of insurance acquisition cash flows	86,196	-	-	-	86,196
Losses on onerous contracts and reversals of those losses	-	(4,690)	-	-	(4,690)
Changes to liabilities for incurred claims	-	-	(4,341)	(5,765)	(10,106)
Insurance service expenses	86,196	(4,690)	572,680	566	654,752
Insurance service result	(566,074)	(4,690)	572,680	566	2,482
Insurance finance expenses	-	-	3,189	-	3,189
Total changes in the statement of income and OCI	(566,074)	(4,690)	575,869	566	5,671
Cash flows					
Premiums received	899,261	-	-	-	899,261
Claims and other expenses paid	-	-	(508,423)	-	(508,423)
Insurance acquisition cash flows	(107,227)	-	-	-	(107,227)
Total cash inflow/(outflow)	792,034	-	(508,423)	-	283,611
Other movements	(6,609)	-	-	-	(6,609)
Net insurance contract liabilities as at December 31, 2023	391,037	26,587	261,599	8,557	687,780
Insurance contract liabilities as at as at December 31, 2023	391,037	26,587	261,599	8,557	687,780
Insurance contract assets as at as at December 31, 2023	-	-	-	-	-
Net insurance contract liabilities as at as at December 31, 2023	391,037	26,587	261,599	8,557	687,780

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6 INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

6.2 Motor (continued)

	For the year ended December 31, 2022 (Unaudited)				
	LRC		LIC		Total SR'000
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	
Insurance contract liabilities as at January 01, 2022	120,954	23,247	134,847	7,819	
Insurance contract assets as at January 01, 2022	-	-	-	-	-
Net insurance contract liabilities as at January 01, 2022 (Unaudited)	120,954	23,247	134,847	7,819	286,867
Insurance revenue	(518,550)	-	-	-	(518,550)
Incurred claims and other expenses	-	-	566,497	5,746	572,243
Amortization of insurance acquisition cash flows	59,352	-	-	-	59,352
Losses on onerous contracts and reversals of those losses	-	8,031	-	-	8,031
Changes to liabilities for incurred claims	-	-	(16,564)	(5,574)	(22,138)
Other methodology difference	-	-	(638)	-	(638)
Insurance service expenses	59,352	8,031	549,295	172	616,850
Insurance service result	(459,198)	8,031	549,295	172	98,300
Insurance finance expenses	-	-	130	-	130
Total changes in the statement of income and OCI	(459,198)	8,031	549,425	172	98,430
Cash flows					
Premiums received	589,076	-	-	-	589,076
Claims and other expenses paid	-	-	(490,120)	-	(490,120)
Insurance acquisition cash flows	(63,904)	-	-	-	(63,904)
Total cash inflow/(outflow)	525,172	-	(490,120)	-	35,052
Other movements	(15,242)	-	-	-	(15,242)
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	171,686	31,278	194,152	7,991	405,107
Insurance contract liabilities as at December 31, 2022 (Unaudited)	171,686	31,278	194,152	7,991	405,107
Insurance contract assets as at December 31, 2022 (Unaudited)	-	-	-	-	-
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	171,686	31,278	194,152	7,991	405,107

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6 INSURANCE CONTRACT LIABILITIES (ASSETS) (continued)

6.3 Property and Casualty insurance portfolios

	For the year ended December 31, 2023				
	LRC		LIC		Total SR'000
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	
Insurance contract liabilities as at January 01, 2023	8,172	11,728	128,974	8,426	
Insurance contract assets as at as at January 01, 2023	-	-	-	-	-
Net insurance contract liabilities as at as at January 01, 2023 (Unaudited)	8,172	11,728	128,974	8,426	157,300
Insurance revenue	(85,692)	-	-	-	(85,692)
Incurred claims and other expenses	-	-	38,892	1,989	40,881
Amortization of insurance acquisition cash flows	12,377	-	-	-	12,377
Losses on onerous contracts and reversals of those losses	-	(10,467)	-	-	(10,467)
Changes to liabilities for incurred claims	-	-	(18,059)	(1,031)	(19,090)
Insurance service expenses	12,377	(10,467)	20,833	958	23,701
Insurance service result	(73,315)	(10,467)	20,833	958	(61,991)
Insurance finance expenses	-	-	3,710	-	3,710
Total changes in the statement of income and OCI	(73,315)	(10,467)	24,543	958	(58,281)
Cash flows					
Premiums received	100,833	-	-	-	100,833
Claims and other expenses paid	-	-	(11,941)	-	(11,941)
Insurance acquisition cash flows	(9,692)	-	-	-	(9,692)
Total cash inflow/(outflow)	91,141	-	(11,941)	-	79,200
Other movements	(2,960)	-	-	-	(2,960)
Net insurance contract liabilities as at December 31, 2023	23,038	1,261	141,576	9,384	175,259
Insurance contract liabilities as at as at December 31, 2023	23,038	1,261	141,576	9,384	175,259
Insurance contract assets as at as at December 31, 2023	-	-	-	-	-
Net insurance contract liabilities as at as at December 31, 2023	23,038	1,261	141,576	9,384	175,259

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

6 INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

6.3 Property and Casualty insurance portfolios (continued)

	For the year ended December 31, 2022 (Unaudited)				
	LRC		LIC		Total SR'000
	Excluding Loss component	Loss Component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	
Insurance contract liabilities as at January 01, 2022	9,178	5,694	130,405	4,019	
Insurance contract assets as at January 01, 2022	-	-	-	-	-
Net insurance contract liabilities as at January 01, 2022 (Unaudited)	9,178	5,694	130,405	4,019	149,296
Insurance revenue	(59,490)	-	-	-	(59,490)
Incurring claims and other expenses	-	-	35,546	2,507	38,053
Amortization of insurance acquisition cash flows	7,029	-	-	-	7,029
Losses on onerous contracts and reversals of those losses	-	6,034	-	-	6,034
Changes to liabilities for incurred claims	-	-	(34,996)	1,900	(33,096)
Other methodology difference	-	-	(10)	-	(10)
Insurance service expenses	7,029	6,034	540	4,407	18,010
Insurance service result	(52,461)	6,034	540	4,407	(41,480)
Insurance finance expenses	-	-	(872)	-	(872)
Total changes in the statement of income and OCI	(52,461)	6,034	(332)	4,407	(42,352)
Cash flows					
Premiums received	58,866	-	-	-	58,866
Claims and other expenses paid	-	-	(1,099)	-	(1,099)
Insurance acquisition cash flows	(6,867)	-	-	-	(6,867)
Total cash inflow/(outflow)	51,999	-	(1,099)	-	50,900
Other movements	(544)	-	-	-	(544)
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	8,172	11,728	128,974	8,426	157,300
Insurance contract liabilities as at December 31, 2022 (Unaudited)	8,172	11,728	128,974	8,426	157,300
Insurance contract assets as at December 31, 2022 (Unaudited)	-	-	-	-	-
Net insurance contract liabilities as at December 31, 2022 (Unaudited)	8,172	11,728	128,974	8,426	157,300

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES)

The following reconciliations which are presented according to the requirement of IFRS 17 clarifies the movement of Assets of remaining coverage (ARC) and amounts recoverable of Incurred claims (AIC) during the year ended December 31, 2023, and the year ended December 31, 2022 for total reinsurance portfolios of the company.

	For the year ended December 31, 2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss- recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at January 01, 2023	12,136	9,409	97,949	2,288	121,782
Reinsurance contract liabilities as at January 01, 2023	(205)	-	-	-	(205)
Net reinsurance contract assets as at January 01, 2023	11,931	9,409	97,949	2,288	121,577
An allocation of reinsurance premiums	(89,781)	-	-	-	(89,781)
Amounts recoverable for incurred claims and other expenses	-	-	43,191	776	43,967
Loss-recovery on onerous underlying contracts and adjustments	-	(8,001)	-	-	(8,001)
Changes to amounts recoverable for incurred claims	-	-	(24,893)	81	(24,812)
Amounts recoverable from reinsurers for incurred claims	-	(8,001)	18,298	857	11,154
Insurance service result	(89,781)	(8,001)	18,298	857	(78,627)
Reinsurance finance income	-	-	2,869	-	2,869
Effect of changes in non-performance risk of reinsurers	-	-	11	-	11
Total changes in the statement of comprehensive income	(89,781)	(8,001)	21,178	857	(75,747)
Cash flows					
Premiums paid	101,770	-	-	-	101,770
Amounts received	(16,518)	-	(26,487)	-	(43,005)
Total cash inflow/(outflow)	85,252	-	(26,487)	-	58,765
Net reinsurance contract assets as at December 31, 2023	7,402	1,408	92,640	3,145	104,595
Reinsurance contract assets as at December 31, 2023	16,239	1,288	91,040	3,103	111,670
Reinsurance contract liabilities as at December 31, 2023	(8,837)	120	1,600	42	(7,075)
Net reinsurance contract assets as at December 31, 2023	7,402	1,408	92,640	3,145	104,595

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES) (CONTINUED)

	For the year ended December 31 2022				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows		Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at January 01, 2022	9,968	-	91,781	2,955	104,704
Reinsurance contract liabilities as at January 01, 2022	(1,119)	-	-	-	(1,119)
Net reinsurance contract assets as at January 01, 2022 (Unaudited)	8,849	-	91,781	2,955	103,585
An allocation of reinsurance premiums	(67,556)	-	-	-	(67,556)
Amounts recoverable for incurred claims and other expenses	-	-	65,061	939	66,000
Loss-recovery on onerous underlying contracts and adjustments	-	9,409	-	-	9,409
Changes to amounts recoverable for incurred claims	-	-	(32,916)	(1,606)	(34,522)
Amounts recoverable from reinsurers for incurred claims	-	9,409	32,145	(667)	40,887
Insurance service result	(67,556)	9,409	32,145	(667)	(26,669)
Reinsurance finance income	-	-	(637)	-	(637)
Effect of changes in non-performance risk of reinsurers	-	-	14	-	14
Total changes in the statement of comprehensive income	(67,556)	9,409	31,522	(667)	(27,292)
Cash flows					
Premiums paid	84,073	-	-	-	84,073
Amounts received	(13,435)	-	(25,354)	-	(38,789)
Total cash inflow/(outflow)	70,638	-	(25,354)	-	45,284
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	11,931	9,409	97,949	2,288	121,577
Reinsurance contract assets as at December 31, 2022 (Unaudited)	12,136	9,409	97,949	2,288	121,782
Reinsurance contract liabilities as at December 31, 2022 (Unaudited)	(205)	-	-	-	(205)
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	11,931	9,409	97,949	2,288	121,577

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES) (CONTINUED)

7.1 Medical

	For the year ended December 31 2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at January 01, 2023	1,552	-	7,689	92	9,333
Reinsurance contract liabilities as at January 01, 2023	-	-	-	-	-
Net reinsurance contract assets as at January 01, 2023	1,552	-	7,689	92	9,333
An allocation of reinsurance premiums	(5,769)	-	-	-	(5,769)
Amounts recoverable for incurred claims and other expenses	-	-	12,377	60	12,437
Loss-recovery on onerous underlying contracts and adjustments	-	425	-	-	425
Changes to amounts recoverable for incurred claims	-	-	(7,806)	(92)	(7,898)
Amounts recoverable from reinsurers for incurred claims	-	425	4,571	(32)	4,964
Insurance service result	(5,769)	425	4,571	(32)	(805)
Reinsurance finance income	-	-	107	-	107
Effect of changes in non-performance risk of reinsurers	-	-	11	-	11
Total changes in the statement of comprehensive income	(5,769)	425	4,689	(32)	(687)
Cash flows					
Premiums paid	4,604	-	-	-	4,604
Amounts received	-	-	(9,312)	-	(9,312)
Total cash inflow/(outflow)	4,604	-	(9,312)	-	(4,708)
Net reinsurance contract assets as at December 31, 2023	387	425	3,066	60	3,938
Reinsurance contract assets as at December 31, 2023	387	425	3,066	60	3,938
Reinsurance contract liabilities as at December 31, 2023	-	-	-	-	-
Net reinsurance contract assets as at December 31, 2023	387	425	3,066	60	3,938

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES) (CONTINUED)

7.1 Medical (continued)

	For the year ended December 31 2022 (Unaudited)				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at January 01, 2022	1,466	-	5,711	744	7,921
Reinsurance contract liabilities as at January 01, 2022	-	-	-	-	-
Net reinsurance contract assets as at January 01, 2022 (Unaudited)	1,466	-	5,711	744	7,921
An allocation of reinsurance premiums	(16,928)	-	-	-	(16,928)
Amounts recoverable for incurred claims and other expenses	-	-	21,663	93	21,756
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	(5,722)	(745)	(6,467)
Amounts recoverable from reinsurers for incurred claims	-	-	15,941	(652)	15,289
Insurance service result	(16,928)	-	15,941	(652)	(1,639)
Reinsurance finance income	-	-	(5)	-	(5)
Effect of changes in non-performance risk of reinsurers	-	-	14	-	14
Total changes in the statement of comprehensive income	(16,928)	-	15,950	(652)	(1,630)
Cash flows		-			
Premiums paid	17,014	-	-	-	17,014
Amounts received	-	-	(13,972)	-	(13,972)
Total cash inflow/(outflow)	17,014	-	(13,972)	-	3,042
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	1,552	-	7,689	92	9,333
Reinsurance contract assets as at December 31, 2022 (Unaudited)	1,552	-	7,689	92	9,333
Reinsurance contract liabilities as at December 31, 2022 (Unaudited)	-	-	-	-	-
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	1,552	-	7,689	92	9,333

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES) (CONTINUED)

7.2 Motor

	For the year ended December 31 2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at January 01, 2023	(1,601)	-	7,237	155	5,791
Reinsurance contract liabilities as at January 01, 2023	-	-	-	-	-
Net reinsurance contract assets as at January 01, 2023	(1,601)	-	7,237	155	5,791
An allocation of reinsurance premiums	(20,857)	-	-	-	(20,857)
Amounts recoverable for incurred claims and other expenses	-	-	7,388	13	7,401
Loss-recovery on onerous underlying contracts and adjustments	-	120	-	-	120
Changes to amounts recoverable for incurred claims	-	-	(6,174)	(126)	(6,300)
Amounts recoverable from reinsurers for incurred claims	-	120	1,214	(113)	1,221
Insurance service result	(20,857)	120	1214	(113)	(19,636)
Reinsurance finance income	-	-	124	-	124
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of comprehensive income	(20,857)	120	1,338	(113)	(19,512)
Cash flows					
Premiums paid	14,374	-	-	-	14,374
Amounts received	(835)	-	(6,976)	-	(7,811)
Total cash inflow/(outflow)	13,539	-	(6,976)	-	6,563
Net reinsurance contract assets as at December 31, 2023	(8,919)	120	1,599	42	(7,158)
Reinsurance contract assets as at December 31, 2023	(97)	-	-	-	(97)
Reinsurance contract liabilities as at December 31, 2023	(8,822)	120	1,599	42	(7,061)
Net reinsurance contract assets as at December 31, 2023	(8,919)	120	1,599	42	(7,158)

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES) (CONTINUED)

7.2 Motor (continued)

	For the year ended December 31 2022 (Unaudited)				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows		Total
	SR'000	SR'000	SR'000	Risk Adjustment SR'000	SR'000
Reinsurance contract assets as at January 01, 2022	2,105	-	1,412	61	3,578
Reinsurance contract liabilities as at January 01, 2022	-	-	-	-	-
Net reinsurance contract assets as at January 01, 2022 (Unaudited)	2,105	-	1,412	61	3,578
An allocation of reinsurance premiums	(17,593)	-	-	-	(17,593)
Amounts recoverable for incurred claims and other expenses	-	-	8,648	98	8,746
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	2,060	(4)	2,056
Amounts recoverable from reinsurers for incurred claims	-	-	10,708	94	10,802
Insurance service result	(17,593)	-	10,708	94	(6,791)
Reinsurance finance income	-	-	(8)	-	(8)
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of comprehensive income	(17,593)	-	10,700	94	(6,799)
Cash flows					
Premiums paid	17,121	-	-	-	17,121
Amounts received	(3,234)	-	(4,875)	-	(8,109)
Total cash inflow/(outflow)	13,887	-	(4,875)	-	9,012
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	(1,601)	-	7,237	155	5,791
Reinsurance contract assets as at December 31, 2022 (Unaudited)	(1,601)	-	7,237	155	5,791
Reinsurance contract liabilities as at December 31, 2022 (Unaudited)	-	-	-	-	-
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	(1,601)	-	7,237	155	5,791

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES) (CONTINUED)

7.3 Property and causality reinsurance portfolio

	For the year ended December 31 2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at January 01, 2023	12,185	9,409	83,023	2,041	106,658
Reinsurance contract liabilities as at January 01, 2023	(205)	-	-	-	(205)
Net reinsurance contract assets as at January 01, 2023	11,980	9,409	83,023	2,041	106,453
An allocation of reinsurance premiums	(63,155)	-	-	-	(63,155)
Amounts recoverable for incurred claims and other expenses	-	-	23,424	705	24,129
Loss-recovery on onerous underlying contracts and adjustments	-	(8,546)	-	-	(8,546)
Changes to amounts recoverable for incurred claims	-	-	(10,912)	298	(10,614)
Amounts recoverable from reinsurers for incurred claims	-	(8,546)	12,512	1,003	4,969
Insurance service result	(63,155)	(8,546)	12,512	1,003	(58,186)
Reinsurance finance income	-	-	2,638	-	2,638
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of comprehensive income	(63,155)	(8,546)	15,150	1,003	(55,548)
Cash flows					
Premiums paid	82,792	-	-	-	82,792
Amounts received	(15,686)	-	(10,196)	-	(25,882)
Total cash inflow/(outflow)	67,106	-	(10,196)	-	56,910
Net reinsurance contract assets as at December 31, 2023	15,931	863	87,977	3,044	107,815
Reinsurance contract assets as at December 31, 2023	15,945	863	87,977	3,044	107,829
Reinsurance contract liabilities as at December 31, 2023	(14)	-	-	-	(14)
Net reinsurance contract assets as at December 31, 2023	15,931	863	87,977	3,044	107,815

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

7. REINSURANCE CONTRACT ASSETS (LIABILITIES) (CONTINUED)

7.3 Property and causality reinsurance portfolio (continued)

	For the year ended December 31 2022 (Unaudited)				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at January 01, 2022	6,399	-	84,657	2,149	93,205
Reinsurance contract liabilities as at January 01, 2022	(1,119)	-	-	-	(1,119)
Net reinsurance contract assets as at January 01, 2022 (Unaudited)	5,280	-	84,657	2,149	92,086
An allocation of reinsurance premiums	(33,035)	-	-	-	(33,035)
Amounts recoverable for incurred claims and other expenses	-	-	34,748	750	35,498
Loss-recovery on onerous underlying contracts and adjustments	-	9,409	-	-	9,409
Changes to amounts recoverable for incurred claims	-	-	(29,253)	(858)	(30,111)
Amounts recoverable from reinsurers for incurred claims	-	9,409	5,495	(108)	14,796
Insurance service result	(33,035)	9,409	5,495	(108)	(18,239)
Reinsurance finance income	-	-	(624)	-	(624)
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of comprehensive income	(33,035)	9,409	4,871	(108)	(18,863)
Cash flows					
Premiums paid	49,938	-	-	-	49,938
Amounts received	(10,203)	-	(6,505)	-	(16,708)
Total cash inflow/(outflow)	39,735	-	(6,505)	-	33,230
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	11,980	9,409	83,023	2,041	106,453
Reinsurance contract assets as at December 31, 2022 (Unaudited)	12,185	9,409	83,023	2,041	106,658
Reinsurance contract liabilities as at December 31, 2022 (Unaudited)	(205)	-	-	-	(205)
Net reinsurance contract assets as at December 31, 2022 (Unaudited)	11,980	9,409	83,023	2,041	106,453

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

8. INVESTMENTS

Investments are classified as follows:

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
		(Unaudited)		(Unaudited)		(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Financial Assets at amortized cost	237,545	44,800	100,598	44,063	338,143	88,863
Less: Allowance for credit loss (Stage 1)	(127)	-	(68)	-	(195)	-
Financial assets at amortized cost	237,418	44,800	100,530	44,063	337,948	88,863
Financial assets at fair value through other comprehensive income	-	-	49,608	8,069	49,608	8,069
Financial Assets at Fair Value through profit or loss	-	-	165,688	205,373	165,688	205,373
Financial assets at fair value	-	-	215,296	213,442	215,296	213,442
Total	237,418	44,800	315,826	257,505	553,244	302,305

Investments in Sukuks are classified as investments measured at amortised cost, except for certain Sukuks amounting to Saudi Riyals 24 million which failed SPPI assessment on account of interest payment not constituting time value of money and so, were classified as FVTPL. The Company's business model for Sukuk classified as amortised cost is to hold to collect the contractual cash flows. Investment in mutual funds are classified as investments measured at FVTPL since these are equity instruments. As a result, these funds were classified as FVTPL from the date of initial application.

The Company has classified its investments in ordinary shares at FVTPL, except for Najm investments which are being held at FVOCI. The Company holds an investment in the equity of Najm for Insurance Services (Najm) and in accordance with Company's accounting policy under Note 3, investments in equity instruments should be measured at fair value. During the year ended December 31 2023, the Company has determined the fair value of its investment in Najm, which was previously carried at initial cost of Saudi Riyals 1.9 million. The fair value of Najm investment was Saudi Riyals 43.5 million, Saudi Riyals 39.7 million and 37 million as at December 31 2023, December 31 2022 and January 1 2022 respectively. Accordingly, the required adjustments to bring the carrying value of such investment to its fair value have been recognised during the year 2023.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

8. INVESTMENTS (Continued)

I. Movement in Financial Assets at amortized cost is as follows:

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	SR'000	(Unaudited) SR'000	SR'000	(Unaudited) SR'000	SR'000	(Unaudited) SR'000
Opening balance	44,800	-	44,063	19,688	88,863	19,688
Purchases	214,745	44,800	71,813	31,875	286,558	76,675
Disposals	(22,900)	-	(15,287)	(7,500)	(38,187)	(7,500)
Amortization of value (premium) discount using effective interest method	900	-	9	-	909	-
Closing balance	237,545	44,800	100,598	44,063	338,143	88,863

The Company had "Other investment held at amortized cost" amounting to SR 95.4 million with a CMA licensed financial institution registered in KSA with fixed maturity term of 1 year with option to further renew. Till year 2019, the management of the Company used to regularly renew its deposit maturity with additional term of 1 year. During 2020, on maturity of the terms of the respective investments, the Company decided not to renew and to liquidate the investments, however it was informed by the respective CMA registered financial institution that the underlying investment made by the financial institution could not be liquidated currently as per the maturity terms of the contract entered. As on December 31, 2020, the management of the Company has performed a detailed assessment of such investments given the dispute in place which resulted in impairment of the underlying investment held amounting to SR 68 million. Subsequently, the management of the Company has performed an annual assessment of the underlying investment which resulted in additional impairment amounting to SR 1.2 million as at December 31, 2021, SR 2.6 million as at December 31, 2022, and SR 3.2 million as at December 31, 2023.

The following describe the company's actions regarding this dispute until the date of this report:

During 2022, the company filed a dispute case against the financial institution in the Committee for Resolution of Securities Disputes and received the decision on August 02, 2022, rejecting the dispute due to lack of Jurisdiction.

On December 27, 2022, the company has filed another lawsuit against the financial institution, its Board of Directors and responsible management for the same ongoing dispute.

On December 03, 2023, the company has received a notification of Bahrain Chamber for Dispute Resolution for the case outlining the following resolutions:

- i. Dismiss the defense raised by the opponents with the Bahrain Courts international due to lack of jurisdiction to the case.
- ii. Dismiss the defense raised by the opponents with the Bahrain Chamber for Dispute Resolution due to lack of authority to attend the case.
- iii. Dismiss the case raised by the company against opponents due to irrelevance and disagreement with basis of dispute.

On January 07, 2024, the company has appealed against the resolution of Bahrain Chamber for Dispute Resolution for the case to the Court of Cassation in the Kingdom of Bahrain.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

8. INVESTMENTS (Continued)

II. Movements in Financial Assets at fair value through other comprehensive income

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
		(Unaudited)		(Unaudited)		(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Opening balance	-	-	8,069	8,069	8,069	8,069
Change in FMV	-	-	41,539	-	41,539	-
Closing balance	-	-	49,608	8,069	49,608	8,069

III. Movements in Financial Assets at fair value through profit or loss:

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
		(Unaudited)		(Unaudited)		(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Opening balance	-	-	205,373	205,239	205,373	205,239
Purchases	-	-	74,054	116,374	74,054	116,374
Disposals	-	-	(127,583)	(113,183)	(127,583)	(113,183)
Realization of gain / (loss) on disposal of AFS investments	-	-	13,844	(3,057)	13,844	(3,057)
Closing balance	-	-	165,688	205,373	165,688	205,373

IV. Category wise investment analysis is as follows:

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
		(Unaudited)		(Unaudited)		(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Quoted	237,418	44,800	190,942	165,520	428,360	210,320
Unquoted	-	-	124,884	91,985	124,884	91,985
Total	237,418	44,800	315,826	257,505	553,244	302,305

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

8. INVESTMENTS (Continued)

V. Geographical concentration:

The maximum exposure to credit and price risk for financial assets carried at fair through profit and loss, financial assets carried at other comprehensive income and financial assets carried at amortised cost at the reporting date by geographic region is as follows:

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
		(Unaudited)		(Unaudited)		(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Kingdom of Saudi Arabia	237,418	44,800	288,020	220,318	525,438	265,118
Lebanon	-	-	6,146	6,146	6,146	6,146
Bahrain	-	-	13,049	18,666	13,049	18,666
Oman	-	-	3,736	3,750	3,736	3,750
United Arab Emirates	-	-	1,500	5,250	1,500	5,250
Kuwait	-	-	3,375	3,375	3,375	3,375
Total	237,418	44,800	315,826	257,505	553,244	302,305

9. PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
		(Unaudited)		(Unaudited)		(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Commission receivable	37,091	19,295	6,671	5,246	43,762	24,541
Receivable against salvage items	25,641	10,385	-	-	25,641	10,385
Prepaid expenses	7,612	6,385	-	-	7,612	6,385
Other	22,038	18,656	-	-	22,038	18,656
Total	92,382	54,721	6,671	5,246	99,053	59,967

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

10. LONG TERM/FIXED INCOME DEPOSITS

Time deposits are placed with local banks with an original maturity of more than three months from the date of placement. These deposits earn commission income at an average rate of 1.1% to 6.2% (2021: 0.85% to 5.58%) per annum.

11. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements</i> SR	<i>Furniture, fixtures and office equipment</i> SR	<i>Capital work-in -progress</i> SR	<i>Total</i> SR
Cost:				
At January 1, 2022	7,779	24,593	8,407	40,779
Additions	3	1,478	3,458	4,939
Disposals	-		-	-
Transfers	935	2,282	(3,217)	-
Adjustments	-	-	(5,909)	(5,909)
At December 31, 2022	8,717	28,353	2,739	39,809
Additions	17	3,142	6,610	9,769
Transfer	1,237	803	(2,040)	-
At December 31, 2023	9,971	32,298	7,309	49,578
Accumulated Depreciation:				
At January 1, 2022	(3,746)	(19,260)	-	(23,006)
Charge for the year	(641)	(2,819)	-	(3,460)
At December 31, 2022	(4,387)	(22,079)	-	(26,466)
Charge for the year	(929)	(2,363)	-	(3,292)
At December 31, 2023	(5,316)	(24,442)	-	(29,758)
Net book value:				
At December 31, 2023	4,655	7,856	7,309	19,820
At December 31, 2022	4,330	6,274	2,739	13,343

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	31-Dec-23	31-Dec-22
	SR	SR
Right of use assets		
Balance at the beginning of the year	8,338	3,673
Additions during the year	858	7,066
Depreciation for the year	(3,008)	(2,401)
Balance at the end of the year	6,188	8,338
Lease liabilities		
Balance at the beginning of the year	7,342	3,142
Additions during the year	858	7,066
Finance cost for the year	257	253
Payments made during the year	(2,611)	(3,119)
Balance at the end of the year	5,846	7,342

The above right of use assets and lease liabilities pertain to office on lease rental.

Expenses pertain to short term and low value lease are SR 1.6 million (2021:SR 2.5 million).

13. GOODWILL

The Company commenced its insurance operations on January 1, 2009. The Company's shareholders approved the transfer of insurance portfolio and net assets of Trade Union Insurance Company B.S.C. (closed) to the Company effective January 1, 2009 upon approval from the respective authorities. Such transfer resulted in goodwill of SR 4.5 million.

As at the reporting date, impairment testing, based on expected discounted cash flows was performed. The assumptions used involve a considerable degree of estimation on the part of management. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The most significant assumptions used in the determination of expected discounted cash flows for the next 3 years are:

- Weighted average cost of capital of 6.64%; and
- Average expected growth rate of 7% on earned premium.

Although management believes that the assumptions used to evaluate potential impairment are reasonable, with a significant portion based on the actual performance achieved in the past, such assumptions are inherently subjective.

Based on the assumptions made, the expected discounted future cash flows exceeded the carrying amount of goodwill and accordingly no impairment has been recognized.

14. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. Insurance Authority is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the Implementing Regulations for Insurance Companies, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a local bank and can be withdrawn only with the consent of Insurance Authority.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

15. ACCRUED AND OTHER LIABILITIES

	Insurance operations		Shareholders' operations		Total	
	31-Dec-23 SR	31-Dec-23 SR	31-Dec-23 SR	31-Dec-22 SR	31-Dec-23 SR	31-Dec-22 SR
VAT payable	12,284	6,377	-	-	12,284	6,377
Due to related parties <i>-(note 21)</i>	2,441	2,441	-	-	2,441	2,441
Withholding tax payable	511	516	-	-	511	516
Accrued expenses	19,531	21,884	2,709	1,770	22,240	23,654
Other liabilities	13,510	73,692	90	66	13,600	73,758
	48,277	104,910	2,799	1,836	51,076	106,746

16. END-OF-SERVICE INDEMNITIES

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

16.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	31-Dec-23 SR	31-Dec-22 SR
Present value of defined benefit obligation	19,772	16,916
	31-Dec-23 SR	31-Dec-22 SR
Balance at the beginning of the year	16,916	17,540
Charged during the year	3,773	3,435
Actuarial gain /(loss) charged to other comprehensive income	429	(1,192)
Paid during the year	(1,346)	(2,867)
Balance at the end of the year	19,772	16,916

16.2 Charge to statement of income a for the year

	31-Dec-23 SR	31-Dec-22 SR
Current service cost	3,005	3,021
Interest cost	768	414
Cost recognized in profit or loss	3,773	3,435

16.3 Principal actuarial assumptions

	31-Dec-23 SR	31-Dec-22 SR
Discount factor used	4.55%	4.60%
Long term Salary increase rate	4.55%	4.60%
Mortality rates	(80) AM	(80) AM
Weighted average duration of defined benefit obligation	8.59	9.88
Rates of employee's turnover	16%	13%

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

16. END-OF-SERVICE INDEMNITIES (Continued)

16.4 Sensitivity analysis on present value of defined benefit obligations plan are as below:

	<i>December 31, 2023</i>		<i>December 31, 2022</i>	
	<i>Percentage (%)</i>	<i>Amount (SR)</i>	<i>Percentage (%)</i>	<i>Amount (SR)</i>
Discount rate				
Increase	1.00%	18,221	1.00%	15,404
Decrease	-1.00%	21,587	-1.00%	18,708
Expected changes of salary				
Increase	1.00%	21,663	1.00%	18,688
Decrease	-1.00%	18,127	-1.00%	15,392

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service indemnities recognized within the statement of financial position.

17. ZAKAT AND INCOME TAX

The current year's zakat provision is based on the following:

	31-Dec-23	31-Dec-22
Share capital	450,000	400,000
Retained earnings	74,948	100,478
Adjusted net results for the year	97,657	68,805
Reserves	12,756	36,298
Provisions	112,646	100,939
Other additions	16,157	16,412
Deductions:		
Net book value of fixed assets	(19,820)	(13,343)
Investments	(387,781)	(59,678)
Goodwill	(4,496)	(4,496)
Statutory deposits	(45,000)	(45,000)
Other deductions	(6,188)	(42,584)
Zakat base	300,879	557,831

The following is the shareholding percentage subject to zakat and income tax in the financial statements as at the end of the year:

	31-Dec-23	31-Dec-22
	%	%
Shareholding subject to zakat	97.51	97.51
Shareholding subject to income tax	2.49	2.49

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

17. ZAKAT AND INCOME TAX (Continued)

The movement in the zakat and income tax provision for the year was as follows:

	<u>31-Dec-23</u>	<u>31-Dec-22</u>
Balance at the beginning of the year	23,064	25,308
Provided during the year	10,000	18,500
Payments during the year	<u>(14,104)</u>	<u>(20,744)</u>
Balance at the end of the year	<u>18,960</u>	<u>23,064</u>

The movement of zakat was as follows:

	<u>31-Dec-23</u>	<u>31-Dec-22</u>
Balance at the beginning of the year	22,437	24,808
Provided during the year	9,751	18,039
Payments during the year	<u>(13,985)</u>	<u>(20,410)</u>
Balance at the end of the year	<u>18,203</u>	<u>22,437</u>

The movement in the tax provision for the year was as follows:

	<u>31-Dec-23</u>	<u>31-Dec-22</u>
Balance at the beginning of the year	627	500
Provision for the years	249	461
Payments during the year	<u>(119)</u>	<u>(334)</u>
Balance at the end of the year	<u>757</u>	<u>627</u>

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

17 ZAKAT AND INCOME TAX (Continued)

Status of Zakat and income tax including withholding tax

The Company has submitted its zakat and tax returns up to the year ended December 31, 2022 and has received final clearance certificate from ZATCA till the year 2015 plus the year 2018.

In 2020, the Company received assessment for the year 2016 and 2017 with an additional demand of zakat and income tax amounting to SR 2.7 million and SR 3.9 million respectively. Management has made the payment for the agreed figures and filed objection against disputed ones with full provision reported in financial statements. The assessment received includes also additional withholding tax liability of SR 2.3 million and SR 2.8 million respectively. The Company has paid the amount and filed an objection. Charge for the withholding tax liability is accounted for under general and administrative expenses in the year 2020. These objections are currently being looked at GSTC level.

In 2022, the company received assessment for Zakat and income tax 2019 and 2020 with an additional demand of zakat and income tax amounting to SR 5.6 million and SR 4.6 million respectively. The company has paid full amount and filed objection against this assessment. These objections are currently being looked at GSTC level.

The company is currently being assessed by ZATCA for Zakat and income tax years 2021 and 2022 and has not received the assessments yet.

Payments have been made with the provision of continuation of the appeals, keeping the right to refund or reconcile the excess payment when the company receives a favorable ruling for the cases.

Status of Value added tax

In 2020, the Company has received VAT assessment order for the years 2018 and 2020 with additional liability of SR 4.1 million. The Company has paid full amount filed objection. Charge for the additional VAT liability is accounted for under general and administrative expenses in the year 2020. These objections are currently being looked at GSTC level.

In 2023, the company received VAT assessment for the year 2020 with additional amount of 7.45 million. Full amount was accrued in 2022 and has no effect on the current year results. The company has paid full amount and filed objection against this assessment. The objection is currently being looked at GSTC level.

In December 2023, the company received VAT assessment for the year 2021 and 2022 with additional demand of SR 9 million. The company has fully booked a provision against these assessments, paid full amount and objected against the assessments.

Payments have been made with the provision of continuation of the appeals, keeping the right to refund or reconcile the excess payment when the company receives a favorable ruling for the cases.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

18. SHARE CAPITAL

The authorized, issued and paid-up share capital is SR 450 million at December 31, 2023 consisting of 45 million shares (December 31, 2022: SR 450 million consisting of 45 million shares) of SR 10 each.

On July 3, 2022, the Company has taken the capital increase in place from SR 400 million to SR 450 million through bonus shares issuance which has been made through capitalization of SR 30 million from the statutory reserve and SR 20 million from the retained earnings.

Shareholding structure of the Company is as below.

	31-Dec-23	
	No. of Shares	Paid up (SR)
Trade Union Holding Co. – Bahrain	10,062,000	100,620,000
Al Ahlia Insurance Co. – Kuwait	4,499,999	44,999,990
Others	30,438,001	304,380,010
	45,000,000	450,000,000
	31-Dec-22	
	No. of Shares	Paid up (SR)
Trade Union Holding Co. – Bahrain	10,062,000	100,620,000
Al Ahlia Insurance Co. – Kuwait	4,499,999	44,999,990
Others	30,438,001	304,380,010
	45,000,000	450,000,000

19. STATUTORY RESERVE

In accordance with the Implementing Regulations for Insurance Companies in Saudi Arabia and the by-laws of the Company, the Company has to establish a statutory reserve through the appropriation of 20% of net income in each year until the reserve equals 100% of the share capital.

20. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	31-Dec-23	31-Dec-22 (Unaudited)
	SR'000	SR'000
Letters of guarantee	26,208	15,266
Total	26,208	15,266

The Company subject to legal proceeding in the ordinary course of business. There was no change in the status of legal proceeding.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent shareholders, companies related to shareholders (“affiliates”) and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company’s management and Board of Directors.

The following are the details of major related parties’ transactions during the year and the related balances:

<i>Related parties</i>	<i>Nature of transactions</i>	31-Dec-23 SR’000	31-Dec-22 SR’000
Board of Directors	Reinsurance premiums ceded	3,331	2,645
	Reinsurers’ share of gross claims paid	449	121
	Gross written premium	246	350

Balances due from/(to) related parties are comprised of the followings:

<i>Related parties</i>	<i>Balances due from / (to)</i> <i>related parties</i>	
	31-Dec-23 SR’000	31-Dec-22 SR’000
Affiliates		
Trade Activities Company	(2,441)	(2,441)

<i>Related parties</i>	<i>Premiums and reinsurance receivables</i>		<i>Reinsurance payables</i>	
	31-Dec-23 SR’000	31-Dec-22 SR’000	31-Dec-23 SR’000	31-Dec-22 SR’000
Board members	-	32	(841)	(592)
Total	-	32	(841)	(592)

- Amounts due from/ due to, pertain to transactions conducted with affiliates.
- Prices and terms of payment for these transactions are approved by the management.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the years ended December 31, 2023 and 2022:

	BOD members (Executives)	BOD members (non-Executive)	Top Executives including the CEO and CFO
2023			
Salaries and compensation	-	-	5,364
Allowances	-	180	77
Annual remuneration	-	1,450	2,966
End of service indemnity movement	-	-	308
Total	-	1,630	8,715
Headcount	-	7	5
			Top Executives including the CEO and CFO
2022	BOD members (Executives)	BOD members (non-Executive)	
Salaries and compensation	-	-	5,047
Allowances	-	243	39
Annual remuneration	-	1,450	1,493
End of service indemnity movement	-	-	286
Total	-	1,693	6,865
Headcount	-	7	5

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

22. Insurance service results

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for the year ended December 31, 2023 and December 31, 2022 is included in following tables respectively. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation.

For the year ended December 31, 2023:

	Medical	Motor	Property and casualty	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Insurance revenue from contracts measured under PAA	464,207	652,270	85,692	1,202,169
Incurred claims and other directly attributable expenses	(334,873)	(583,352)	(40,881)	(959,106)
Changes that relate to past service - adjustments to the LIC	3,359	10,106	19,090	32,555
Losses on onerous contracts and reversal of the losses	(12,136)	4,690	10,467	3,021
Insurance acquisition cash flows amortization	(67,611)	(86,196)	(12,377)	(166,184)
Total insurance service (expenses) / Income	52,946	(2,482)	61,991	112,455

	Medical	Motor	Property and casualty	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Reinsurance income - contracts measured under the PAA	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Premium ceded on reinsurance contracts held	(5,769)	(22,582)	(76,615)	(104,966)
Commission earned on reinsurance contracts held	-	1,725	13,460	15,185
Reinsurance premium ceded	(5,769)	(20,857)	(63,155)	(89,781)
Claims recovered	12,437	7,401	24,129	43,967
Effect of changes in the risk of reinsurers non-performance	-	-	-	-
Losses on onerous contracts and reversal of the losses	425	120	(8,546)	(8,001)
Changes that relate to past service - adjustments to incurred claims	(7,898)	(6,300)	(10,614)	(24,812)
Total net expenses from reinsurance contracts	(805)	(19,636)	(58,186)	(78,627)
Insurance service result	52,141	(22,118)	3,805	33,828

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

22. Insurance service results (continued)

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for the year ended December 31, 2023 and December 31, 2022 is included in following tables respectively. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation.

For the year ended December 31, 2022:

	Medical	Motor	Property and casualty	Total
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Insurance revenue from contracts measured under PAA	494,829	518,550	59,490	1,072,869
Incurred claims and other directly attributable expenses	(359,018)	(571,605)	(38,043)	(968,666)
Changes that relate to past service - adjustments to the LIC	38,214	22,138	33,096	93,448
Losses on onerous contracts and reversal of the losses	-	(8,031)	(6,034)	(14,065)
Insurance acquisition cash flows amortization	(69,631)	(59,352)	(7,029)	(136,012)
Total insurance service (expenses) / Income	104,394	(98,300)	41,480	47,574
	Medical	Motor	Property and casualty	Total
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Reinsurance income - contracts measured under the PAA				
Premium ceded on reinsurance contracts held	(16,928)	(20,645)	(42,728)	(80,301)
Commission earned on reinsurance contracts held	-	3,052	9,693	12,745
Reinsurance premium ceded	(16,928)	(17,593)	(33,035)	(67,556)
Claims recovered	21,756	8,746	35,498	66,000
Losses on onerous contracts and reversal of the losses	-	-	9,409	9,409
Changes that relate to past service - adjustments to incurred claims	(6,467)	2,056	(30,111)	(34,522)
Total net expenses from reinsurance contracts	(1,639)	(6,791)	(18,239)	(26,669)
Insurance service result	102,755	(105,091)	23,241	20,905

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

23. INVESTMENT INCOME

	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>	
	31-Dec-23 <i>SR'000</i>	31-Dec-22 <i>SR'000</i>	31-Dec-23 <i>SR'000</i>	31-Dec-22 <i>SR'000</i>	31-Dec-23 <i>SR'000</i>	31-Dec-22 <i>SR'000</i>
Cash and short-term deposit						
Murabaha income	890	5,392	1,044	943	1,934	6,335
Dividend and investment income	105	1,629	-	425	105	2,054
Net impairment loss on financial assets	(3)	-	(2)	-	(5)	-
Fair value through P&L						
Net fair value gains on financial assets at fair value through P&L	-	-	13,844	-	13,844	-
Dividend and investment income	-	-	2,063	(2,999)	2,063	(2,999)
Murabaha income	-	-	1,000	3,175	1,000	3,175
Investments at amortized cost						
Murabaha income	5,148	895	2,947	2,194	8,095	3,089
Dividend and investment income	-	(405)	-	-	-	(405)
Impairment on Other investments at amortized cost	(127)	-	(68)	-	(195)	-
Long term deposit						
Murabaha income	30,090	8,005	10,051	4,309	40,141	12,314
	36,103	15,516	30,879	8,047	66,982	23,563

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

24. NET INSURANCE FINANCE RESULTS

An analysis of the net insurance finance income (expenses) by product line for year ended December 31, 2023 and December 31, 2022 respectively is presented below:

For the year ended December 31 2023:

	Medical	Motor	Property and casualty	Total
Net finance expenses from insurance contracts issued				
Insurance finance expenses	(3,464)	(3,189)	(3,710)	(10,363)
Net finance expenses from insurance contracts issued	(3,464)	(3,189)	(3,710)	(10,363)
Net finance income from reinsurance contracts held				
Reinsurance finance income	107	124	2,638	2,869
Effects of changes in non-performance risk of reinsurers	11	-	-	11
Net finance income from reinsurance contracts held	118	124	2,638	2,880
Net insurance finance results	(3,346)	(3,065)	(1,072)	(7,483)

For the year ended December 31 2022:

	Medical	Motor	Property and casualty	Total
Net finance income from insurance contracts issued				
Insurance finance expenses	(185)	(130)	872	557
Net finance income from insurance contracts issued	(185)	(130)	872	557
Net finance expenses from reinsurance contracts held				
Reinsurance finance expenses	(5)	(8)	(624)	(637)
Effect of changes in non-performance risk of reinsurers	14	-	-	14
Net finance expenses from reinsurance contracts held	9	(8)	(624)	(623)
Net insurance finance results	(176)	(138)	248	(66)

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

25. NON-ATTRIBUTABLE GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31-Dec-23</u>	<u>31-Dec-22</u>
Salaries and benefits	5,101	6,179
Board of directors and other committees' remuneration and expenses	3,305	2,770
Professional fee	1,962	614
VAT expense	799	889
Depreciation and amortization	442	545
Information technology	165	901
Rent	106	152
Others	3,538	1,243
	<u>15,418</u>	<u>13,293</u>

26. OTHER INCOME

	Note	<u>31-Dec-23</u>	<u>31-Dec-22</u>
Share of surplus from Umrah and Hajj scheme	26.1	17,618	-
Share of surplus from Inherent defects insurance	26.2	988	-
Share of surplus from travel with covid insurance scheme		7,449	-
Early settlement discounts		189	346
		<u>26,244</u>	<u>346</u>

26.1 Share of surplus from Umrah and Hajj scheme

The Umrah product relates to medical, general and accident insurance, under an agreement which was signed together with 28 other insurance companies. The compulsory Umrah product is offered by the Ministry of Hajj and Umrah and approved by Insurance Authority for Insurance for pilgrims coming from outside the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Umrah.

26.2 Share of surplus from Inherent defects insurance

This represents the Company's share of surplus (10.25%) in the Inherent Defects Insurance ("IDI") product. On June 25, 2020, a co-insurance agreement was signed among thirteen insurance companies ("Participating Companies") operating in Kingdom of Saudi Arabia for IDI product, based on the Insurance Authority approval authorizing Malath Cooperative Insurance Company as the leading company ("Operator"), to manage the IDI program on behalf of the participating insurance companies, selling the product and providing its insurance coverage by creating joint insurance portfolios. Malath Cooperative Insurance Company will exclusively manage the portfolio during the period of validity of the IDI agreement of five years from issue date.

IDI is a mandatory insurance policy for contractors to insure against inherent defects that may appear in buildings and constructions after their occupation in non-governmental sector projects, according to Saudi Council of Ministers Decree No. 509 of 21/09/1439 AH (corresponding to 05/06/2018) and in accordance with the decision 441/187of the Governor of Saudi Central Bank ("SAMA") (Currently: Insurance Authority) dated 05/08/1441 AH (corresponding to 29/03/2020).

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

28. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Shareholders' Operations:

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
	SR'000	SR'000	SR'000	SR'000	SR'000
December 31, 2023					
<u>Financial assets measured at fair value</u>					
Financial Assets at fair value through other comprehensive income	49,608	-	-	49,608	49,608
Financial Assets at fair value through profit or loss	165,688	117,412	10,021	38,255	165,688
	215,296	117,412	10,021	87,863	215,296
<u>Financial assets not measured at fair value (2) (3)</u>					
Financial Assets at amortized cost	100,598	73,598	-	27,000	100,598
	100,598	73,598	-	27,000	100,598
December 31, 2022 (Unaudited)					
<u>Financial assets measured at fair value</u>					
Financial Assets at fair value through other comprehensive income	8,069	-	-	8,069	8,069
Financial Assets at fair value through profit or loss	205,373	148,457	15,639	41,277	205,373
	213,442	148,457	15,639	49,346	213,442
<u>Financial assets not measured at fair value (2) (3)</u>					
Financial Assets at amortized cost	44,063	17,063	-	27,000	44,063
	44,063	17,063	-	27,000	44,063

29. RISK MANAGEMENT

a) Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors of the Company. The Company is exposed to insurance, reinsurance, regulatory framework, and credit, liquidity, foreign currency, commission rate and market risk.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day-to-day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures.

The internal audit department discusses the results of all assessments with senior management and reports its findings and recommendations directly to the Audit Committee.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

29. RISK MANAGEMENT (CONTINUED)

The risks faced by the Company and the manner in which these risks are mitigated by management are summarized below:

b) Insurance risk

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

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

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

i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages this risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company monitors concentration of insurance risks primarily by class of business.

ii) Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical and motor segments.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates primarily in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.

c) Reinsurance Risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. Risk management (continued)

c) Reinsurance Risk (continued)

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

- Minimum acceptable credit rating by agencies that is not lower than prescribed in the Regulations;
- Reputation of particular reinsurance companies; and
- Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for reinsurance business.

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

There is no single counterparty exposure that exceeds 16.7% of total reinsurance assets at the reporting date.

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

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

	December 31, 2023			December 31, 2022		
	Insurance contracts issued	Reinsurance contracts held	Net	Insurance contracts issued	Reinsurance contracts held	Net
Motor	687,780	7,158	694,938	405,107	(5,791)	399,316
Medical	227,399	(3,938)	223,461	255,047	(9,333)	245,714
Property and casualty	175,259	(107,815)	67,444	157,300	(106,453)	50,847
Total	1,090,438	(104,595)	985,843	817,454	(121,577)	695,877

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

i) Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims at the statement of financial position date. The details of estimation of insurance contract liabilities are given under Note 2.

ii) Process used to determine assumptions

The process used to determine the assumptions for calculating the estimate of present value of cash flows is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

c) Reinsurance Risk (continued)

ii) Process used to determine assumptions (continued)

The estimation of estimate of present value of cash flows is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. Such estimates are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

d) Sensitivity analysis on significant assumptions used

The Company 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 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.

The following sensitivity analysis shows the impact on gross and net liabilities, profit/loss before tax and equity for reasonably possible movements in key assumptions with all other assumptions in notes 2 and 3 held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	31-Dec-23	31-Dec-22
Impact on net income of change in direct expense ratio – loss component		
2% Increase	(6,478)	(1,823)
2% Decrease	6,478	1,823
Impact on net income of change in risk adjustment for non-financial risk		
5% Increase	(780)	(1,011)
5% Decrease	743	963
Impact on net income of change in discount curve		
10% Increase	1,629	1,678
10% Decrease	(1,494)	(1,554)

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

e) Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and claims not reported for each successive accident year at each reporting date, together with cumulative payments to date.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years, spanning a number of financial years.

2023	2018 & earlier	2019	2020	2021	2022	2023	Total
Accident year	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	-	724,295	572,945	631,513	883,227	945,232	945,232
1 year later	-	678,624	549,869	585,283	868,967	-	868,967
2 years later	-	663,820	520,625	582,998	-	-	582,998
3 years later	-	674,979	543,998	-	-	-	543,998
4 years later	-	706,311	-	-	-	-	706,311
5 years later	33,453	-	-	-	-	-	33,453
Gross estimates of the undiscounted amount of the claims	33,453	706,311	543,998	582,998	868,967	945,232	3,680,959
Cumulative gross claims and other directly attributable expenses paid	-	(658,810)	(500,897)	(549,825)	(822,664)	(635,797)	(3,167,993)
Gross undiscounted liabilities for incurred claims	33,453	47,501	43,101	33,173	46,303	309,435	512,966
Effect of discounting	(1,816)	(1,893)	(1,195)	(2,217)	(3,427)	(5,539)	(16,087)
Gross discounted liabilities for incurred claims excluding risk adjustment	31,637	45,608	41,906	30,956	42,876	303,896	496,879
Effect of the risk adjustment margin for non-financial risk	-	2,919	1,941	1,334	2,384	11,910	20,488
Gross liabilities for incurred claims	31,637	48,527	43,847	32,290	45,260	315,806	517,367

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

RISK MANAGEMENT (CONTINUED)

e) Claims development table (continued)

2023	2018 & earlier	2019	2020	2021	2022	2023	Total
Accident year							
Undiscounted liabilities for incurred claims, net of reinsurance:	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
At end of accident year	-	698,294	516,716	580,609	816,237	913,209	913,209
1 year later	-	651,409	499,458	546,141	821,214	-	821,214
2 years later	-	650,498	493,810	551,146	-	-	551,146
3 years later	-	654,072	504,915	-	-	-	504,915
4 years later	-	685,775	-	-	-	-	685,775
5 years later	26,140	-	-	-	-	-	26,140
Net estimates of the undiscounted amount of the claims	26,140	685,775	504,915	551,146	821,214	913,209	3,502,399
Cumulative Net claims and other directly attributable expenses paid	-	(645,778)	(484,408)	(532,281)	(794,089)	(628,430)	(3,084,986)
Net undiscounted liabilities for incurred claims	26,140	39,997	20,507	18,865	27,125	284,779	417,413
Effect of discounting	(1,532)	(1,605)	(915)	(2,475)	(1,657)	(4,989)	(13,173)
Net discounted liabilities for incurred claims excluding risk adjustment	24,608	38,392	19,592	16,390	25,468	279,790	404,240
Effect of the risk adjustment margin for non-financial risk	-	2,471	1,643	1,129	2,018	10,081	17,342
Net liabilities for incurred claims	24,608	40,863	21,235	17,519	27,486	289,871	421,582
2022	2017 & earlier	2018	2019	2020	2021	2022	Total
Accident year							
Undiscounted liabilities for incurred claims, gross of reinsurance:	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
At end of accident year	-	490,981	723,511	572,749	630,473	936,549	936,549
1 year later	-	539,207	678,534	549,826	588,844	-	588,844
2 years later	-	526,732	663,806	527,307	-	-	527,307
3 years later	-	530,451	689,176	-	-	-	689,176
4 years later	-	525,572	-	-	-	-	525,572
5 years later	36,000	-	-	-	-	-	36,000
Gross estimates of the undiscounted amount of the claims	36,000	525,572	689,176	527,307	588,844	936,549	3,303,448
Cumulative gross claims and other directly attributable expenses paid	-	(514,329)	(651,585)	(497,635)	(545,712)	(630,784)	(2,840,045)
Gross undiscounted liabilities for incurred claims	36,000	11,243	37,591	29,672	43,132	305,765	463,403
Effect of discounting	-	(745)	(1,653)	(1,021)	(10,818)	(13,309)	(27,546)
Gross discounted liabilities for incurred claims excluding risk adjustment	36,000	10,498	35,938	28,651	32,314	292,456	435,857
Effect of the risk adjustment margin for non-financial risk	-	2,434	1,233	1,215	2,090	13,210	20,182
Gross liabilities for incurred claims	36,000	12,932	37,171	29,866	34,404	305,666	456,039

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

e) Claims development table (continued)

2022 Accident year	2017 & earlier	2018	2019	2020	2021	2022	Total
Undiscounted liabilities for incurred claims , net of reinsurance:	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
At end of accident year	-	492,777	698,294	516,716	580,609	872,148	872,148
1 year later	-	476,021	651,409	499,458	549,743	-	549,743
2 years later	-	474,475	650,498	500,500	-	-	500,500
3 years later	-	478,626	668,271	-	-	-	668,271
4 years later	-	478,085	-	-	-	-	478,085
5 years later	23,064	-	-	-	-	-	23,064
Net estimates of the undiscounted amount of the claims	23,064	478,085	668,271	500,500	549,743	872,148	3,091,811
Cumulative Net claims and other directly attributable expenses paid	-	(468,514)	(640,460)	(481,553)	(528,634)	(611,178)	(2,730,339)
Net undiscounted liabilities for incurred claims	23,064	9,571	27,811	18,947	21,109	260,970	361,472
Effect of discounting	-	(523)	(830)	(437)	(9,402)	(12,373)	(23,565)
Net discounted liabilities for incurred claims excluding risk adjustment	23,064	9,048	26,981	18,510	11,707	248,597	337,907
Effect of the risk adjustment margin for non-financial risk	-	2,158	1,094	1,077	1,853	11,713	17,895
Net liabilities for incurred claims	23,064	11,206	28,075	19,587	13,560	260,310	355,802

f) Financial risk

The Company's principal financial assets and liabilities are cash and cash equivalents, term deposits, premiums and insurance balances receivable - net, investments, accrued income on statutory deposit, reinsurer's share of outstanding claims, reinsurers' share of claims incurred but not reported and other assets (included in prepaid expenses and other assets). The Company's principal financial liabilities are reinsurance balances payable, outstanding claims, claims incurred but not reported, accrued and other liabilities, accounts payable, dividend payable, surplus distribution payable and amounts due to a related party.

The main risks arising from the Company's financial instruments are market risks (including commission rate risk, price risk and currency risk), credit risk, liquidity risk and, which are summarized below:

g) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

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

- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board of Directors gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

g) Market risk (continued)

i. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and United States Dollars, during the year. As the Saudi Riyal is pegged to the United States Dollar, balances in United States Dollars are not considered to represent significant currency risk.

ii. Commission rate risk

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value commission rate risk.

There is no direct contractual relationship between financial assets and insurance and reinsurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net commission rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The Company has no significant concentration of interest rate risk.

The Company is exposed to commission rate risk through its deposits and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred.

The Company's exposure to commission rate risk sensitive insurance and reinsurance contracts and deposits are, as follows:

	31-Dec-23	31-Dec-22- Restated
	SAR'000	SAR'000
Insurance contract liabilities, net	(70,763)	(74,185)
Reinsurance contract assets, net	9,008	3,089
Investments at amortized cost	42,162	18,649
Term deposits	(70,763)	(74,185)

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit/(loss) before tax and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact of commission rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous year.

	Changes in commission rate	December 31, 2023		December 31, 2022	
		Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
		SAR'000	SAR'000	SAR'000	SAR'000
Insurance contract liabilities, net	5%	(3,538)	(3,538)	(3,709)	(3,709)
Reinsurance contract assets, net	5%	759	759	637	637
Investments at amortized cost	5%	450	450	154	154
Term deposits	5%	2,108	2,108	932	932
Insurance contract liabilities, net	-5%	3,538	3,538	3,709	3,709
Reinsurance contract assets, net	-5%	(759)	(759)	(637)	(637)
Investments at amortized cost	-5%	(450)	(450)	(154)	(154)
Term deposits	-5%	(2,108)	(2,108)	(932)	(932)

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

g) Market risk (Continued)

iii) Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's FVTPL and FVOCI investments amounting to Saudi Riyals 215 million (2022: Saudi Riyals 213 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on comprehensive income would be as follows:

% change in equity price	31-Dec-23	31-Dec-22
	SAR'000	Restated SAR'000
+5	10,765	10,672
-5	(10,765)	(10,672)

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2023 and 2022. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

h) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

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

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee, which is approved by the Board of Directors.

The Company's other financial assets are held with commercial banks and financial institutions with strong financial positions and credit ratings. The Company's policy is to invest in high-quality, liquid (that is, investment-grade) financial instruments. The Company maintains its bank balances, short-term, long term and statutory deposits with banks which have investment grade credit ratings. Investments are made in instruments with either investment grade or satisfactory non-investment grade credit rating.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

h) Credit risk (Continued)

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

	31-Dec-23	31-Dec-22
	SAR'000	Restated SAR'000
Cash and cash equivalents	77,374	189,867
Insurance contract assets	2,834	866
Reinsurance contract assets	111,670	121,782
Investments carried at amortized cost	337,948	88,863
Investments carried at fair value	215,296	213,442
Prepaid expenses and other assets	91,441	53,582
Long term/fixed income deposits	949,500	763,242
Statutory deposit	45,000	45,000
Accrued income on statutory deposit	633	6,252
Total	1,831,696	1,482,896

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial assets is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered the highest possible rating. Assets falling outside the range of investment grade are classified as non- investment grade (satisfactory) or past due but not impaired.

	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	Investment grade		Satisfactory		Past due impaired	
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	77,374	189,867	-	-	-	-
Insurance contract assets	-	-	2,834	866	-	-
Reinsurance contract assets	-	-	111,670	121,782	-	-
Investments carried at amortized cost	327,215	78,113	10,733	10,750	-	-
Investments carried at fair value	23,766	24,375	171,433	165,818	20,097	23,249
Prepaid expenses and other assets	-	-	91,441	53,582	-	-
Long term/fixed income deposits	949,500	763,242	-	-	-	-
Statutory deposit	45,000	45,000	-	-	-	-
Accrued income on statutory deposit	633	6,252	-	-	-	-
Total	1,423,488	1,106,849	388,111	352,798	20,097	23,249

Premiums receivable balances have been classified under insurance contract liabilities and the reinsurers' receivable balances and reinsurers' share of outstanding claims and claims incurred but not reported have been classified under reinsurance contract assets, as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers significant insurance risk to the insurer rather than financial risk, which are in the scope of IFRS 17 for impairment. Also see Notes 3 and 4, for further details in this regard.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

h) Credit risk (Continued)

Concentration of credit risk (Continued)

The Company applies the three-stage model for impairment of financial assets measured at amortized cost and FVOCI, based on changes in credit quality since initial recognition. Also see Note 3 and 4 for further details regarding impairment.

The Company uses “low credit risk” practical expedient for the cash and cash equivalents, term deposits and statutory deposits with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months

Cash and cash equivalents, term deposits and statutory deposits are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. The stated rating is as per the global bank ratings by Moody’s Investors Service. Management does not expect any losses from non-performance by these counterparties. At 31 December 2023 and 2022, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortized cost include other receivables. These instruments are considered to be low credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At December 31, 2023 and 2022, the ECL allowance on other financial assets was immaterial.

i) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. Further, the Company manages liquidity risk as follows:

- The Company’s liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company’s catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The table below summarizes the maturities of the Company’s undiscounted contractual obligations at 31 December 2023 and 2022. As the Company does not have any commission bearing liabilities, contractual cash flow of financial liabilities approximates their carrying value.

	December 31, 2023			December 31, 2022		
	Less than 1 year	More than 1 year	Total	Less than 1 year	More than 1 year	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	77,374	-	77,374	189,867	-	189,867
Insurance contract assets	2,834	-	2,834	866	-	866
Reinsurance contract assets	111,670	-	111,670	121,782	-	121,782
Investments at amortized cost	35,983	301,965	337,948	22,900	65,963	88,863
Investments at fair value	191,530	23,766	215,296	189,067	24,375	213,442
Prepaid expenses and other assets	91,441	-	91,441	53,582	-	53,582
Long term/fixe income deposits	849,500	100,000	949,500	633,242	130,000	763,242
Statutory deposit	45,000	-	45,000	45,000	-	45,000
Accrued income on statutory deposit	633	-	633	6,252	-	6,252
Total	1,405,965	425,731	1,831,696	1,262,558	220,338	1,482,896

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

29. RISK MANAGEMENT (CONTINUED)

i) Liquidity risk (Continued)

	December 31, 2023			December 31, 2022		
	Less than 1 year	More than 1 year	Total	Less than 1 year	More than 1 year	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Accrued and other liabilities	38,281	-	38,281	99,853	-	99,853
Insurance contract liabilities	1,093,272	-	1,093,272	818,320	-	818,320
Reinsurance contract liabilities	7,075	-	7,075	205	-	205
End-of-service indemnities	19,772	-	19,772	16,916	-	16,916
Accrued commission income payable to Insurance Authority	2,192	-	2,192	6,252	-	6,252
Total	1,160,592	-	1,160,592	941,546	-	941,546
Total liquidity gap	245,373	425,731	671,104	321,012	220,338	541,350

For the purpose of the financial assets and liabilities, non-financial assets and non-financial liabilities amounting to Saudi Riyals 7.6 million and Saudi Riyals 12.8 million, respectively (2022: Saudi Riyals 6.3 million and Saudi Riyals 6.9 million, respectively) have been excluded from prepaid expenses and other assets and accrued and other liabilities, respectively.

j) Capital management risk

The objectives set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value are:

- To comply with the insurance capital requirements as set out in the Law on Supervision of Cooperative Insurance Companies. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company 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 risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

As per Article 66 of the Insurance Authority Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 100 million;
- Premium solvency margin; or
- Claims solvency margin.

As of December 31, 2023, the Company is in compliance with the minimum solvency margin as required by the Implementing Regulations of the Cooperative Insurance Companies Control Law.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

30. OPERATING SEGMENTS

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

The Board of Directors of the Company monitors the results of the Company's operations and have been identified as the Chief Operating Decision Maker (CODM). The net results of the Company are reported to the Board of Directors for the Company as a whole. Furthermore, the Company operates in one geographical area i.e. Kingdom of Saudi Arabia.

Accordingly, segmental analysis of the statement of income and other comprehensive income and statement of financial position is not carried out as the CODM considers the Company to be a single operating segment based on the nature of its operations and products. However, the Company has disclosed its insurance related balances/results by product lines, which are determined based on the disaggregation principles of IFRS 17. These include insurance contract liabilities/assets, reinsurance contract assets/liabilities, insurance service results and insurance finance income/expenses. Refer Notes 6,7 22 and 24 for such analysis.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

31. Gross written premium

Details relating to gross written premium are disclosed below to comply with the requirements of Insurance Authority Circular (170) and are not calculated as per the requirements of IFRS 17.

Breakdown of GWP	For the year December 31, 2023				For the year ended December 31, 2022 (Unaudited)			
	Motor	Medical	Property and casualty	Total	Motor	Medical	Property and casualty	Total
	SR'000				SR'000			
Individual	465,793	2,023	1,164	468,980	279,470	1,167	744	281,381
Micro Entities	2,572	344,826	1,601	348,999	1,910	408,081	806	410,797
Small Entities	15,679	14,464	12,587	42,730	8,412	13,265	10,250	31,927
Medium Entities	32,103	25,273	30,205	87,581	21,104	18,187	24,215	63,506
Large Organizations	421,054	53,672	66,037	540,763	283,958	78,168	26,964	389,090
Total	937,201	440,258	111,594	1,489,053	594,854	518,868	62,979	1,176,701

32. Net written premium

Details relating to net written premium are disclosed below to comply with the requirements of Insurance Authority Circular (170) and are not calculated as per the requirements of IFRS 17.

Particular	For the year December 31, 2023				For the year ended December 31, 2022 (Unaudited)			
	Motor	Medical	Property and casualty	Total	Motor	Medical	Property and casualty	Total
	SR'000				SR'000			
Gross premiums written	937,201	440,258	111,594	1,489,053	594,854	518,868	62,979	1,176,701
Reinsurance premiums ceded – Local	(1,806)	(1,331)	(11,312)	(14,449)	(1,872)	-	(3,072)	(4,944)
Reinsurance premiums ceded – Foreign	(1,092)	-	(82,856)	(83,948)	(7,680)	-	(30,778)	(38,458)
Excess of loss expenses	(16,753)	(4,850)	(4,947)	(26,550)	(4,003)	(10,882)	(1,142)	(16,027)
Net premiums written	917,550	434,077	12,479	1,364,106	581,299	507,986	27,987	1,117,272

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

33. SUPPLEMENTARY INFORMATION

Financial position

	December 31, 2023			December 31, 2022 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000					
ASSETS						
Cash and cash equivalents	67,840	9,534	77,374	179,102	10,765	189,867
Insurance contract assets	2,834	-	2,834	866	-	866
Reinsurance contract assets	111,670	-	111,670	121,782	-	121,782
Financial assets at amortized cost	237,418	100,530	337,948	44,800	44,063	88,863
Financial assets at fair value	-	215,296	215,296	-	213,442	213,442
Prepaid expenses and other assets	92,382	6,671	99,053	54,721	5,246	59,967
Long term / fixed income deposits	689,001	260,499	949,500	520,692	242,550	763,242
Property and equipment, net	19,820	-	19,820	13,343	-	13,343
Right-of-use assets	6,188	-	6,188	8,338	-	8,338
Goodwill	-	4,497	4,497	-	4,497	4,497
Statutory deposit	-	45,000	45,000	-	45,000	45,000
Accrued income on statutory deposit	-	633	633	-	6,252	6,252
Due from shareholders'/insurance operations	23,681	78,112	101,793	29,359	26,401	55,760
Total assets	1,250,834	720,772	1,971,606	973,003	598,216	1,571,219
Less: interoperation elimination	(23,681)	(78,112)	(101,793)	(29,359)	(26,401)	(55,760)
Total assets	1,227,153	642,660	1,869,813	943,644	571,815	1,515,459

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

33. SUPPLEMENTARY INFORMATION (Continued)

Financial position (Continued)

	December 31, 2023 (Unaudited)			December 31, 2022 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000					
LIABILITIES						
Accrued and other liabilities	48,277	2,799	51,076	104,910	1,836	106,746
Lease liabilities	5,846	-	5,846	7,342	-	7,342
Insurance contract liabilities	1,093,272	-	1,093,272	818,320	-	818,320
Reinsurance contract liabilities	7,075	-	7,075	205	-	205
End of service indemnities	19,772	-	19,772	16,916	-	16,916
Zakat and income tax	-	23,960	23,960	-	23,064	23,064
Accrued commission income payable to Insurance Authority	-	2,192	2,192	-	6,252	6,252
Due to shareholders'/insurance operations	78,112	23,681	101,793	26,401	29,359	55,760
Total liabilities	1,252,354	52,632	1,304,986	974,094	60,511	1,034,605
Less: interoperation elimination	(78,112)	(23,681)	(101,793)	(26,401)	(29,359)	(55,760)
Total liabilities	1,174,242	28,951	1,203,193	947,693	31,152	978,845
EQUITY						
Share capital	-	450,000	450,000	-	450,000	450,000
Statutory reserve	-	30,535	30,535	-	12,756	12,756
Retained earnings	-	146,065	146,065	-	74,948	74,948
Fair value reserve on investments	-	41,539	41,539	-	-	-
Remeasurement actuarial loss on end of service indemnities	(1,519)	-	(1,519)	(1,090)	-	(1,090)
Total equity	(1,519)	668,139	666,620	(1,090)	537,704	536,614
Total liabilities and equity	1,172,723	697,090	1,869,813	946,603	568,856	1,515,459

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

33. SUPPLEMENTARY INFORMATION (Continued)

Statement of income

	For the year ended December 31,2023			For the year ended December 31,2022		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000					
Insurance revenue	1,202,169	-	1,202,169	1,072,869	-	1,072,869
Insurance service expenses	(1,089,714)	-	(1,089,714)	(1,025,295)	-	(1,025,295)
Insurance service result before reinsurance contracts held	112,455	-	112,455	47,574	-	47,574
Allocation of reinsurance premiums	(89,781)	-	(89,781)	(67,556)	-	(67,556)
Amounts recoverable from reinsurers for incurred claims	11,154	-	11,154	40,887	-	40,887
Net income from reinsurance contracts held	(78,627)	-	(78,627)	(26,669)	-	(26,669)
Insurance service result	33,828	-	33,828	20,905	-	20,905
Interest revenue calculated using the effective interest method	36,128	15,042	51,170	14,292	7,446	21,738
Net fair value gains / (loss) on financial assets at fair value through profit or loss	-	13,844	13,844	-	(2,999)	(2,999)
Other investment revenue (Dividend income)	105	2,063	2,168	1,224	3,600	4,824
Net impairment loss on financial assets	(130)	(70)	(200)	-	-	-
Investment return	36,103	30,879	66,982	15,516	8,047	23,563
Net Finance (expenses) / income from insurance contracts issued	(10,363)	-	(10,363)	557	-	557
Net Finance income / (expenses) from reinsurance contracts held	2,880	-	2,880	(623)	-	(623)
Net insurance finance results	(7,483)	-	(7,483)	(66)	-	(66)
Net insurance and investment result	62,448	30,879	93,327	36,355	8,047	44,402
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Non-attributable General and administrative expenses	(10,322)	(5,096)	(15,418)	(10,049)	(3,244)	(13,293)
Finance cost	(257)	-	(257)	(253)	-	(253)
Other income	26,244	-	26,244	346	-	346
TOTAL OTHER OPERATING EXPENSES	15,665	(5,096)	10,569	(9,956)	(3,244)	(13,200)
Income for the year before Zakat and income tax	78,113	25,783	103,896	26,399	4,803	31,202
Income for the year attributable to the Shareholders	(78,113)	78,113	-	(26,399)	26,399	-
Zakat and income tax expense	-	(10,000)	(10,000)	-	(18,500)	(18,500)
Income for the year attributable to the Shareholders	-	93,896	93,896	-	12,702	12,702

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

33. SUPPLEMENTARY INFORMATION (Continued)

Statement of other comprehensive income

	For the year ended			For the year ended		
	December 31,2023			December 31,2022		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000					
Income for the period attributable to the Shareholders	-	93,896	93,896	-	12,702	12,702
Other comprehensive income						
<i>Items that are or may be reclassified to statements of income in subsequent periods</i>						
Unrealized fair value changes in available-for-sale investments	-	41,539	41,539	-	-	-
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Actuarial gain on end of service obligations	(429)	-	(429)	1,192	-	1,192
<u>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD AFTER ZAKAT</u>	(429)	135,435	135,006	1,192	12,702	13,894

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

33. SUPPLEMENTARY INFORMATION (Continued)

Statement of cash flows

	For the year ended December 31,2023			For the year ended December 31,2022		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period	-	103,896	103,896	-	31,202	31,202
<u>Adjustments for non-cash items:</u>						
Depreciation of property and equipment	3,292	-	3,292	3,460	-	3,460
Depreciation charge of right to use assets	3,008	-	3,008	2,401	-	2,401
Expected credit loss (Investments)	127	68	195	-	-	-
Gains on investments	-	(13,844)	(13,844)	-	2,999	2,999
Amortization of Sukuk premium/discount using effective interest rate method	(909)	-	(909)	-	-	-
Finance cost	257	-	257	253	-	253
Provision for end-of-service indemnities	3,773	-	3,773	3,435	-	3,435
<u>Changes in operating assets and liabilities:</u>						
Insurance contract assets	(1,968)	-	(1,968)	27,311	-	27,311
Reinsurance contract assets	10,112	-	10,112	(17,078)	-	(17,078)
Prepaid expenses and other assets	(37,662)	(1,424)	(39,086)	(13,603)	(4,241)	(17,844)
Accrued income on statutory deposit	-	5,619	5,619	-	(765)	(765)
Accrued and other liabilities	(56,634)	964	(55,670)	13,557	(324)	13,233
Insurance contract liabilities	274,952	-	274,952	64,545	-	64,545
Reinsurance contract liabilities	6,870	-	6,870	(914)	-	(914)
Accrued commission income payable to Authority	-	2,192	2,192	-	765	765
Due from insurance operations	-	(51,711)	(51,711)	-	(3,823)	(3,823)
Due to insurance operations	-	(5,680)	(5,680)	-	-	-
Due from shareholders' operations	5,680	-	5,680	-	-	-
Due to shareholders' operations	51,711	-	51,711	3,823	-	3,823
	262,609	40,080	302,689	87,190	25,813	113,003
End-of-service indemnities paid	(1,346)	-	(1,346)	(2,867)	-	(2,867)
Statutory deposit income paid	-	(6,252)	(6,252)	-	-	-
Zakat and income tax paid	-	(14,104)	(14,104)	-	(20,744)	(20,744)
Net cash generated from operating activities	261,263	19,724	280,987	84,323	5,069	89,392
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in investments at amortized cost	(191,836)	(56,535)	(248,371)	(44,800)	(24,375)	(69,175)
Net movement in investments at fair value	-	53,529	53,529	-	(3,133)	(3,133)
Net movement in long term/ fixed income deposits	(168,309)	(17,949)	(186,258)	(245,691)	(109,875)	(355,566)
Lease payment under IFRS 16	(2,611)	-	(2,611)	(3,119)	-	(3,119)
Net movement in Statutory deposit	-	-	-	-	(5,000)	(5,000)
Net movement in property and equipment	(9,769)	-	(9,769)	970	-	970
Net cash (used in) / generated from investing activities	(372,525)	(20,955)	(393,480)	(292,640)	(142,383)	(435,023)
Net change in cash and cash equivalents	(111,262)	(1,231.00)	(112,493.00)	(208,317)	(137,314)	(345,631)
Cash and cash equivalents, beginning of the period	179,102	10,765	189,867	387,419	148,079	535,498
Cash and cash equivalents, end of the period	67,840	9,534	77,374	179,102	10,765	189,867
NON-CASH INFORMATION						
Unrealized gain on available for sale investments		41,539	41,539			
Actuarial (loss)/gain charged to other comprehensive income	(429)		(429)	1,192		1,192

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

34. AUDITOR'S REMUNERATION

Auditors' remuneration for the statutory audit of the Company financial statements for the year ended December 31, 2023, amounts to Saudi Riyals 498 thousand (2022: Saudi Riyals 381 thousand). Auditors' remuneration for the review of the Company interim financial information during the year ended December 31, 2023, amounts to Saudi Riyals 290 thousand (2022: Saudi Riyals 196 thousand). Fee for special purpose and other statutory services provided by the auditors to the Company amounts to Saudi Riyals 30 thousand (2022: Saudi Riyals 30 thousand).

35. SUBSEQUENT EVENT

No events have arisen subsequent to December 31, 2023, and before the date of signing the independent auditors' report, that could have a significant effect on the financial statements as at December 31, 2023.

36. COMPARATIVE FIGURES

The Company has reclassified and restated the comparative figures to meet the requirements of the newly implemented standard IFRS 17 and IFRS 9. Please refer to note 4 of the financial statements for more details.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board, on March 13, 2024, corresponding to Ramadan 3, 1445 H.