
**SAUDI REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2023**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT**

For the three-month and six-month periods ended 30 June 2023

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الدكتور محمد العمري وشركاه

Dr. Mohamed Al-Amri & Co.

Independent Auditors' Report on Review of Condensed Interim Financial Statements

To The Shareholders of Saudi Reinsurance Company (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Saudi Reinsurance Company (the "Company") as at 30 June 2023, the related condensed interim statements of income and comprehensive income for the three-month and six-month periods then ended and condensed interim statements of changes in equity and cash flows for the six-month period then ended and notes to the condensed interim financial statements. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2023 of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License No. 348



Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
Certified Public Accountant
License No. 362



1 Safar 1445H
17 August 2023

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Saudi Reinsurance Company (A Saudi Joint Stock Company)

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

		30 June 2023 (Unaudited)	31 December 2022 (Unaudited) Restated	1 January 2022 (Unaudited) Restated
	Notes			
ASSETS				
Cash and cash equivalents	6	37,203,812	31,556,652	27,807,294
Financial investments at fair value through income statement	7	76,984,940	272,653,544	762,723,099
Financial investments at fair value through other comprehensive income	7	119,977,644	119,921,195	92,870,664
Financial investments at amortized cost	7	1,080,198,383	1,030,133,715	496,236,101
Reinsurance contract assets	10	272,070,462	253,772,035	37,640,297
Retrocession contract assets	10	247,647,332	213,445,689	228,756,127
Prepaid expenses, deposits and other assets	8	404,461,366	205,502,340	138,428,465
Property and equipment, net		37,102,018	36,379,209	37,155,827
Investment in an equity accounted investee	11	190,927,112	154,677,375	124,769,846
Statutory deposit	12	89,100,000	89,100,000	89,100,000
Accrued income on statutory deposit	12	21,648,485	22,084,071	20,961,814
TOTAL ASSETS		2,577,321,554	2,429,225,825	2,056,449,534
LIABILITIES				
Margin loan payable		56,797,019	56,797,019	56,797,019
Reinsurance contract liabilities	10	1,113,496,333	1,068,727,267	825,145,516
Retrocession contract liabilities	10	32,543,987	36,355,358	17,207,457
Accrued expenses and other liabilities	9	200,408,566	176,412,984	146,058,587
Provision for employees' end of service benefits		14,415,418	13,867,730	12,288,391
Provision for zakat and tax	13	18,184,574	17,533,163	15,266,235
Accrued commission income payable to SAMA	12	24,205,746	23,219,213	20,962,172
TOTAL LIABILITIES EXCLUDING REINSURANCE OPERATIONS' SURPLUS		1,460,051,643	1,392,912,734	1,093,725,377
REINSURANCE OPERATIONS' SURPLUS				
Accumulated surplus		23,015,438	18,908,904	13,549,575
TOTAL REINSURANCE OPERATIONS' SURPLUS		23,015,438	18,908,904	13,549,575
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS		1,483,067,081	1,411,821,638	1,107,274,952
EQUITY				
Share capital	14	891,000,000	891,000,000	891,000,000
Statutory reserve		43,045,308	43,045,308	34,749,555
Retained earnings		166,195,865	95,035,415	21,357,767
Other reserves		(5,986,700)	(11,676,536)	2,067,260
TOTAL EQUITY		1,094,254,473	1,017,404,187	949,174,582
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS AND EQUITY		2,577,321,554	2,429,225,825	2,056,449,534

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 22 form an integral part of these unaudited condensed interim financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

UNAUDITED CONDENSED INTERIM STATEMENT OF INCOME

For the three-month and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

		For the three-month period ended		For the six-month period ended	
		30 June 2023 (Unaudited)	30 June 2022 (Unaudited) Restated	30 June 2023 (Unaudited)	30 June 2022 (Unaudited) Restated
	<i>Notes</i>				
Reinsurance revenue		157,338,746	140,844,253	286,627,857	302,474,319
Reinsurance service expenses		(49,026,476)	(140,366,717)	(173,542,905)	(278,892,596)
Net (expenses) / income from retrocession contracts		(46,177,666)	12,358,867	(40,496,166)	(8,976,795)
Reinsurance service result		62,134,604	12,836,403	72,588,786	14,604,928
Investment income from financial investments not measured at FVIS	15	13,948,015	7,332,452	26,902,724	12,734,370
Net income from financial investments measured at FVIS	16	2,438,567	(15,517,911)	2,465,281	(18,102,445)
Investment management expenses		(957,811)	(708,618)	(1,677,166)	(1,873,800)
Net credit impairment (losses) / reversal		(199,502)	(140,087)	(1,333,594)	298,044
Net investment income / (loss)		15,229,269	(9,034,164)	26,357,245	(6,943,831)
Net finance (expense) / income from reinsurance contracts issued		(48,248,003)	2,297,900	(57,070,317)	15,510,606
Net finance income / (expense) from retrocession contracts held		30,168,167	(938,429)	30,390,574	(508,733)
Net financial result		(2,850,567)	(7,674,693)	(322,498)	8,058,042
NET REINSURANCE AND INVESTMENT RESULT		59,284,037	5,161,710	72,266,288	22,662,970
Other income		14,816	354,771	35,816	401,386
Other finance costs		(401,827)	(263,775)	(792,219)	(409,229)
Other operating expenses		(10,135,397)	(1,915,238)	(16,090,424)	(7,470,637)
Share of profit of equity accounted investee	11	21,258,206	2,556,803	30,616,350	21,638,779
Total income for the period before zakat and tax		70,019,835	5,894,271	86,035,811	36,823,269
Total income attributed to the reinsurance operations		(4,003,865)	(538,663)	(4,106,534)	(1,934,236)
Net income for the year before zakat and tax attributable to the shareholders		66,015,970	5,355,608	81,929,277	34,889,033
Zakat for the period	13	(6,031,396)	(3,145,061)	(10,740,289)	(6,767,989)
Tax charge for the period	13	(23,641)	4,245	(28,538)	(3,300)
Net income for the period after zakat and tax attributable to the shareholders		59,960,933	2,214,792	71,160,450	28,117,744
Basic and diluted earnings per share for the period	20	0.67	0.02	0.80	0.32

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 22 form an integral part of these unaudited condensed interim financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

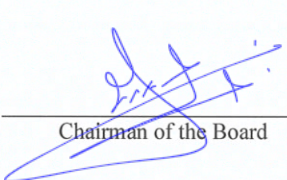
UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

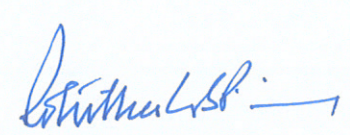
For the three-month and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

	For the three-month period ended		For the six-month period ended	
	30 June 2023 (Unaudited)	30 June 2022 (Unaudited) Restated	30 June 2023 (Unaudited)	30 June 2022 (Unaudited) Restated
Net income for the period after zakat and tax attributable to shareholder	59,960,933	2,214,792	71,160,450	28,117,744
<i>Other comprehensive income</i>				
Items that will not be reclassified to income statement subsequently				
Financial investments at FVOCI – net change in fair value	1,075,764	(1,981,295)	56,449	(4,939,842)
Items that may be classified to income statement subsequently				
Share of foreign currency translation reserve of an equity accounted investee	4,776,074	(6,336,536)	5,633,387	(6,337,593)
Total comprehensive income for the period	65,812,771	(6,103,039)	76,850,286	16,840,309


Managing Director / Chief Executive Officer


Chairman of the Board


Chief Financial Officer

The accompanying notes 1 to 22 form an integral part of these unaudited condensed interim financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

	GCC Shareholders and General Public				Non – GCC Shareholders				Total				
	Share Capital	Statutory reserve	Retained earnings	Other reserves	Share capital	Statutory reserve	Retained earnings	Other reserves	Share Capital	Statutory reserve	Retained earnings	Other reserves	Total
Restated balance as at 1 January 2023 (Unaudited)	855,064,610	41,309,225	91,202,491	(11,205,604)	35,935,390	1,736,083	3,832,924	(470,932)	891,000,000	43,045,308	95,035,415	(11,676,536)	1,017,404,187
Transfer during the period	(1,281,680)	(61,920)	(136,705)	16,797	1,281,680	61,920	136,705	(16,797)	--	--	--	--	--
Net income for the period	--	--	68,188,078	--	--	--	2,972,372	--	--	--	71,160,450	--	71,160,450
Other comprehensive income	--	--	--	5,452,172	--	--	--	237,664	--	--	--	5,689,836	5,689,836
Total comprehensive income for the period	--	--	68,188,078	5,452,172	--	--	2,972,372	237,664	--	--	71,160,450	5,689,836	76,850,286
Balance as at 30 June 2023 (Unaudited)	853,782,930	41,247,305	159,253,864	(5,736,635)	37,217,070	1,798,003	6,942,001	(250,065)	891,000,000	43,045,308	166,195,865	(5,986,700)	1,094,254,473
Balance as at 1 January 2022, as previously reported	851,538,402	33,210,528	33,923,132	2,629,562	39,461,598	1,539,027	1,572,050	121,858	891,000,000	34,749,555	35,495,182	2,751,420	963,996,157
Adjustment on initial application of IFRS 17 (Note 3 (iv))	--	--	4,499,899	--	--	--	189,115	--	--	--	4,689,014	--	4,689,014
Adjustment on initial application of IFRS 17 by equity accounted investee (Note 3 (iv))	--	--	(16,535,594)	--	--	--	(694,933)	--	--	--	(17,230,527)	--	(17,230,527)
Adjustment on initial application of IFRS 9 (Note 3 (iv))	--	--	(1,531,537)	(656,567)	--	--	(64,365)	(27,593)	--	--	(1,595,902)	(684,160)	(2,280,062)
Restated balance as at 1 January 2022 (Unaudited)	851,538,402	33,210,528	20,355,900	1,972,995	39,461,598	1,539,027	1,001,867	94,265	891,000,000	34,749,555	21,357,767	2,067,260	949,174,582
Transfer during the period	5,693,908	222,066	192,437	15,919	(5,693,908)	(222,066)	(192,437)	(15,919)	--	--	--	--	--
Net income for the period (restated)	--	--	27,052,120	--	--	--	1,065,624	--	--	--	28,117,744	--	28,117,744
Other comprehensive income (restated)	--	--	--	(10,850,036)	--	--	--	(427,399)	--	--	--	(11,277,435)	(11,277,435)
Total comprehensive income for the period (restated)	--	--	27,052,120	(10,850,036)	--	--	1,065,624	(427,399)	--	--	28,117,744	(11,277,435)	16,840,309
Restated balance as at 30 June 2022 (Unaudited)	857,232,310	33,432,594	47,600,457	(8,861,122)	33,767,690	1,316,961	1,875,054	(349,053)	891,000,000	34,749,555	49,475,511	(9,210,175)	966,014,891

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 22 form an integral part of these unaudited condensed interim financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

	<i>Notes</i>	30 June 2023 (Unaudited)	30 June 2022 (Unaudited) Restated
Cashflows (used in) / from operating activities			
Total income for the period before zakat & tax		86,035,811	36,823,269
<i>Adjustments to reconcile net income for the period before zakat and tax to net cash generated from operating activities:</i>			
Employees' end of service benefit expenses		1,003,461	856,626
Special commission income from bonds and sukuks	15	(7,448,990)	(6,293,569)
Special commission expense on margin loan payable		792,219	409,229
Special commission income from time deposits	15	(16,540,961)	(5,074,313)
Amortisation of discount and premium on financial investments at amortized cost, net		(1,055,682)	(1,366,488)
Depreciation of property and equipment		1,088,808	772,524
Net (losses) / gains on financial investments at fair value through income statement	16	(2,094,273)	19,251,178
Share of profit of equity accounted investee	11	(30,616,350)	(21,638,779)
Provision / (reversal) of expected credit losses		1,333,594	(298,044)
Operating income before changes in operating assets and liabilities		32,497,637	23,441,633
<i>Changes in operating assets and liabilities:</i>			
Reinsurance contract assets		(18,298,427)	(159,310,140)
Reinsurance contract liabilities		44,769,066	198,827,641
Retrocession contract assets		(34,201,643)	24,294,865
Retrocession contract liabilities		(3,811,371)	10,882,911
Prepaid expenses, deposits and other assets		(198,959,026)	(18,704,528)
Accrued expenses and other liabilities		23,995,582	(30,287,142)
		(154,008,182)	49,145,240
Zakat and tax paid		(10,117,416)	(12,998,578)
Employees' end of service benefits paid		(455,773)	(278,782)
Net cash (used in) / from operating activities		(164,581,371)	35,867,880
Cash flows from investing activities			
Placements in time deposits		(135,187,261)	(363,817,450)
Proceeds from maturity of time deposits		53,442,084	30,810,000
Receipt of special commission income from time deposits		12,210,089	2,653,005
Receipt of special commission income from bonds and sukuks		10,182,459	7,467,377
Receipt of special commission income on statutory deposit		1,422,119	--
Purchase of property and equipment, net		(1,811,617)	(980,101)
Additions to financial investments held at amortized cost		--	(12,839,641)
Proceeds from maturity of financial investments held at amortized cost		33,000,000	24,000,000
Additions to financial investments at fair value through income statement		(118,305,439)	(124,633,821)
Proceeds from disposal of financial investments fair value through income statement		316,068,316	467,186,992
Additions to financial investments at fair value through other comprehensive income		--	(21,322,084)
Net cash from investing activities		171,020,750	8,524,277
FINANCING ACTIVITIES			
Special commission expense paid against margin loans		(792,219)	(409,229)
Net cash used in financing activities		(792,219)	(409,229)
INCREASE IN CASH AND CASH EQUIVALENTS		5,647,160	43,982,928
Cash and cash equivalents at the beginning of the period		31,556,652	27,807,294
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		37,203,812	71,790,222

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 22 form an integral part of these unaudited condensed interim financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Reinsurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010250125 (Entity number: 7001556021) dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008) with a branch in the Federal Territory of Labuan, Malaysia with license number IS2014146. The address of the Company’s registered office is at 4130 Northern Ring Road Al Wadi, Unit number 1, Riyadh 13313-6684, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (IAS 34) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements as at and for the year ended 31 December 2022 except for changes in significant accounting policy as provided in Note 3 and 4, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The results for the three-month and six-month periods ended 30 June 2023 are not necessarily indicative of the results for the year ending 31 December 2023.

The Company’s condensed interim statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, financial investments at fair value through income statement, prepaid expenses, deposits and other assets, margin loan payable, accrued expenses and other liabilities, provision for zakat and tax and accumulated surplus. All other financial statement line items would generally be classified as noncurrent unless stated otherwise.

Basis of measurement

These unaudited condensed interim financial statements have been prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of financial investments at fair value through income statement, financial investments at fair value through other comprehensive income, investment in an equity accounted investee which is accounted for under the equity method and employees’ end of service benefits (EOSB) measured at present value of future obligations using projected unit credit method.

Functional and presentation currency

These unaudited condensed interim financial statements have been presented in Saudi Arabian Riyals (SR), which is the functional and presentational currency of the Company. All financial information presented has been rounded off to the nearest SR.

Fiscal year

The Company’s fiscal year is aligned with the calendar year i.e. it begins at 1 January and ends at 31 December.

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and six-month periods ended 30 June 2023****(All amounts in Saudi Riyals unless otherwise stated)****3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the condensed interim financial statements of the Company.

Standard, interpretation, amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	See note below
IFRS 9, 'Financial Instruments'	This standard replaces IAS 39.	See note below

New standards not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement by SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement by SOCPA

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for reinsurance and retrocession contracts and financial instruments. As a result, the Company has restated certain comparative amounts for the prior year.

Except for the changes below and accounting policies explained in Note 4, the Company has consistently applied the accounting policies used in the preparation of the annual financial statements for the year ended 31 December 2022.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below:

IFRS 17 – Insurance Contracts

i) Recognition, measurement, and presentation of reinsurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of reinsurance contracts, retrocession contracts and investment contracts with discretionary participation features. 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.

Under IFRS 17, reinsurance 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 cash flows. In addition, investment components are no longer included in reinsurance revenue and reinsurance service expenses. Reinsurance finance income and expenses are presented separately from reinsurance revenue and reinsurance service expenses.

The Company applies the General Measurement Model (GMM) to both reinsurance contracts issued, and retrocession contracts held for all the segments.

Previously, all acquisition costs were recognised and presented as separate assets from the related reinsurance contracts ('deferred acquisition costs') until those costs were included in income statement. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from retrocession contracts other than insurance finance income and expenses are now presented as a single net amount in income statement. Previously, amounts recovered from retrocessionaires and retrocession expenses were presented separately.

ii) Presentation and disclosures

For presentation in the statement of financial position, the line items for reinsurance contracts issued and retrocession contracts held have been changed significantly compared with last year. Previously balance sheet items related to reinsurance and retrocession contracts were split into the following line items:

- Assets
 - Accrued reinsurance premiums
 - Reinsurance premium receivables, net
 - Deferred policy acquisition costs
 - Retrocession balances receivable
 - Retroceded share of unearned premiums
 - Deferred excess of loss premiums
 - Retroceded share of outstanding claims
 - Retroceded share of claims incurred but not reported
- Liabilities
 - Accounts Payable
 - Retrocession balances payable
 - Accrued retroceded premiums
 - Unearned premiums
 - Outstanding claims
 - Claims incurred but not reported

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

ii) Presentation and disclosures (continued)

Under IFRS 17, the Company aggregates reinsurance contracts issued, and retrocession contracts held, respectively and presents separately on the balance sheet:

- Portfolios of reinsurance contracts issued that are assets;
- Portfolios of reinsurance contracts issued that are liabilities;
- Portfolios of retrocession contracts held that are assets; and
- Portfolios of retrocession contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the statement of income and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Retroceded premiums
- Excess of loss expenses
- Change in net unearned premiums
- Retrocession commissions
- Gross claims paid
- Retroceded share of claims paid
- Change in outstanding claims, net
- Changes in incurred but not reported claims, net
- Policy acquisition costs and profit commissions
- Other underwriting expenses

Instead, IFRS 17 requires separate presentation of:

- Reinsurance revenue
- Reinsurance service expenses
- Net expenses from retrocession contracts
- Finance income/(expenses) from reinsurance contracts issued
- Finance income/(expenses) from retrocession contracts

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognized in its financial statements from reinsurance contracts and retrocession contracts; and
- Significant judgements, and changes in those judgements, when applying the standard.

iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a modified retrospective approach because it was impracticable to apply the full retrospective approach. The Company considered the full retrospective approach impracticable under the following circumstances;

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
 - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
 - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
 - information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and
 - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

iii) Transition (continued)

- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
 - assumptions about discount rates, because the Company had not been subject to any accounting or regulatory framework that required reinsurance contracts to be measured on a present value basis;
 - assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non- financial risk.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the condensed interim financial statements at 1 January 2022 are presented in the statement of changes in equity.

Impact on equity

Drivers of changes in equity	Impact on equity on transition to IFRS 17 at 1 January 2022
Changes in measurement of reinsurance contracts issued	(15,843,054)
Changes in measurement of retrocession contracts held	20,532,068
Total impact	4,689,014

Impact on reinsurance contracts liabilities

Drivers of changes in equity	Impact on liabilities on transition to IFRS 17 at 1 January 2022
Discounting	(65,064,828)
Risk adjustment	53,879,884
CSM, transition to best estimate liability and other drivers	27,027,998
Total impact	15,843,054

Impact on retrocession contracts held

Drivers of changes in equity	Impact on assets on transition to IFRS 17 at 1 January 2022
Discounting	(12,917,611)
Risk adjustment	8,959,055
CSM, transition to best estimate liability and other drivers	24,490,624
Total impact	20,532,068

IFRS 9 – Financial Instruments

i) Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through income statement. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and six-month periods ended 30 June 2023****(All amounts in Saudi Riyals unless otherwise stated)****3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****IFRS 9 – Financial Instruments (continued)******iii) Transition***

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The following assessments have been made on the basis of the facts and circumstances that existed at initial application;
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

The adoption of IFRS 9 has not had a material impact on the Company's basic or diluted EPS for the period ended 30 June 2023 and 2022. Details of the changes and implications resulting from the adoption of IFRS 9 are presented in (iv) below.

iv) Effect of initial application***a) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9***

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2022.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	27,807,294	27,807,294
Time deposits including accrued special commission income from time deposits	Loans and receivables	Amortized cost	245,692,187	245,118,247
Statutory deposits including accrued commission income on statutory deposits	Loans and receivables	Amortized cost	110,062,172	110,061,814
Held-to-maturity investments	Held to maturity	Amortised cost	211,277,961	210,256,357
	Held to maturity	Fair value through other comprehensive income	93,554,824	92,870,664
Investments held at fair value through income statement	FVIS (Held for trading)	Fair value through income statement	762,723,099	762,723,099
		Amortised cost	40,861,497	40,861,497

Total financial assets**1,491,979,034****1,489,698,972**

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Accrued expenses and other liabilities	Amortized cost	Amortised cost	20,059,183	20,059,183
Margin loan payable	Amortized cost	Amortised cost	56,797,019	56,797,019

Total financial liabilities**76,856,202****76,856,202**

Saudi Reinsurance Company (A Saudi Joint Stock Company)
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and six-month periods ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)
3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
IFRS 9 – Financial Instruments (continued)

 iv) *Effect of initial application (continued)*

 b) *Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9*

1 January 2022 (Unaudited)				
Financial assets	IAS 39 carrying amount as at 1 January 2022	Reclassification	Remeasurement	IFRS 9 carrying amount as at 1 January 2022
Bank balances and cash	27,807,294	(27,807,294)	--	--
Time deposits	243,382,085	(243,382,085)	--	--
Accrued commission income on time deposits	2,310,102	(2,310,102)	--	--
Investment held at fair value through income statement	803,584,596	(803,584,596)	--	--
Accrued special commission income from bonds, sukuk and held to maturity investments	6,810,473	(6,810,473)	--	--
Held to maturity investments	298,022,312	(298,022,312)	--	--
Statutory deposits	89,100,000	--	--	89,100,000
Accrued commission income on statutory deposits	20,962,172	--	(358)	20,961,814
Cash and cash equivalents	--	27,807,294	--	27,807,294
Financial investments at fair value through income statement	--	762,723,099	--	762,723,099
Financial investments at fair value through other comprehensive income	--	93,554,824	(684,160)	92,870,664
Financial investments at amortised cost	--	497,831,645	(1,595,544)	496,236,101
Total financial assets	1,491,979,034	--	(2,280,062)	1,489,698,972

There has not been any reclassification or remeasurement under financial liabilities.

31 December 2022 (Unaudited)				
Financial assets	IAS 39 carrying amount as at 31 December 2022	Reclassification	Remeasurement	IFRS 9 carrying amount as at 31 December 2022
Bank balances and cash	31,556,704	(31,556,704)	--	--
Time deposits	746,955,702	(746,955,702)	--	--
Accrued commission income on time deposits	7,674,687	(7,674,687)	--	--
Investment held at fair value through income statement	287,154,293	(287,154,293)	--	--
Accrued special commission income from bonds, sukuk and held to maturity investments	5,175,895	(5,175,895)	--	--
Held to maturity investments	387,652,522	(387,652,522)	--	--
Statutory deposits	89,100,000	--	--	89,100,000
Accrued commission income on statutory deposits	22,084,429	--	(358)	22,084,071
Cash and cash equivalents	--	31,556,704	(52)	31,556,652
Financial investments at fair value through income statement	--	272,653,544	--	272,653,544
Financial investments at fair value through other comprehensive income	--	128,890,396	(8,969,201)	119,921,195
Financial investments at amortised cost	--	1,033,069,159	(2,935,444)	1,030,133,715
Total financial assets	1,577,354,232	--	(11,905,055)	1,565,449,177

There has not been any reclassification or remeasurement under financial liabilities.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 – Financial Instruments (continued)

iv) *Effect of initial application (continued)*

c) *Impact on retained earnings and other reserves*

	Retained earnings	Other reserves
Closing balance at 31 December 2021	35,495,182	2,751,420
Recognition of expected credit losses under IFRS 9	(1,595,902)	--
Reclassification under IFRS 9	--	(684,160)
Adjustment on initial application of IFRS 17	4,689,014	--
Adjustment on initial application of IFRS 17 by equity accounted investee	(17,230,527)	--
Opening balance as at 1 January 2022	21,357,767	2,067,260

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2022, except for the policies provided below:

IFRS 17 – Insurance Contracts

i) Definition and classification

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

The Company uses retrocession agreements, to reduce its exposure to risks assumed, to increase its aggregate underwriting capacity. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies. All references to reinsurance contracts in the condensed interim financial statements apply to reinsurance contracts issued or acquired and retrocession contracts held unless specifically stated otherwise.

The Company has assessed that all contracts currently classified as reinsurance and retrocession contracts under IFRS 4 meet the definition of reinsurance and retrocession contracts under IFRS 17. The Company does not write any investment contracts with discretionary participation features or insurance contracts with direct participation features.

ii) Separating components from reinsurance and retrocession contracts

At inception, the Company separates the following components from reinsurance or retrocession contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of reinsurance or retrocession contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer to policyholders' distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component. Currently, the Company's portfolios do not contain any non-insurance components that need to be unbundled from reinsurance and retrocession contracts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

iii) Level of aggregation

Reinsurance contracts

Reinsurance contracts are aggregated into groups for measurement purposes. Groups of reinsurance contracts are determined by identifying portfolios of reinsurance contracts, each comprising contracts subject to similar risks and managed together. The Company manages reinsurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. Each portfolio is further divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

These groups represent the level of aggregation at which reinsurance contracts are initially recognized and measured. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group. For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts.

The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Retrocession contracts

Groups of retrocession contracts are established such that each group comprises a single contract. Some retrocession contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the retrocession contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the retrocession contract is not separated into multiple reinsurance components that relate to different underlying groups.

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

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

iv) Recognition and derecognition

Groups of reinsurance contracts are initially recognized the earliest of:

- 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);
- 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
- when facts and circumstances indicate that the contract is onerous.

Retrocession contracts held are recognized as follows:

- A group of retrocession contracts held that provide proportionate coverage is recognized at the later of the beginning of the coverage period of the group and the initial recognition of any underlying reinsurance contract; and
- All other groups of retrocession contracts held are recognized from the beginning of the coverage period of the group of retrocession contracts held; unless the Company entered into the retrocession contract held at or before the date when an onerous group of underlying contracts is recognized prior to the beginning of the coverage period of the group of retrocession contracts held, in which case the retrocession contract held is recognized at the same time as the group of underlying reinsurance contracts is recognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

iv) Recognition and derecognition (continued)

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

The Company derecognises a contract when it is extinguished – i.e., when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognized;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognized from the group.

If a contract is derecognized because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognized because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognized is measured assuming that, at the date of modification, the Company received the premium that it would have charged less any additional premium charged for the modification.

v) Reinsurance acquisition cashflows

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting, and starting a group of reinsurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of reinsurance contracts to which the group belongs. Reinsurance acquisition cash flows are allocated to groups of reinsurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

vi) Contract boundaries

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. The measurement of a group of contracts includes all the future cash flows within the boundary of each reinsurance and retrocession contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the insurer to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular insurer and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The Company writes contracts on both a risk-attaching and losses-occurring basis and distinction is made depending on the basis of the contract being valued for determining the contract boundary. In particular:

- For contracts written on a losses-occurring basis, the coverage period will be equal to the duration between the effective dates of the contract i.e., the term of the contract being valued.
- For contracts written on a risk-attaching basis, the coverage period will be equal to duration between the attachment point of first attaching risk and expiry date of last attaching risk i.e., the term of the contract being valued plus term of the last underlying risk that attaches to the treaty.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

vi) Contract boundaries (continued)

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

A substantive right to receive services from the retrocessionaire ends when the retrocessionaire:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

All treaty retrocession contracts are written on a losses-occurring basis, renewed annually. However, the facultative arrangement covering all risk written in the KSA region is written on a risk-attaching basis. At initial recognition of the risk-attaching retrocession contract, it would be necessary to allow for expected new business to be written over the year in the best estimate cash flows. Given the uncertainty in contract duration of the business expected to be written over the course of the year, this creates a contract boundary that depends on the duration of the underlying ceded risks. This facultative retrocession contract will thus be recognized on the earlier of when retrocession coverage starts or when onerous underlying contracts are recognized. However, to the extent that the group of underlying contracts are recognized after the group of retrocession contracts, the latter will only be recognized when the group of underlying contracts are recognized. Currently, no underlying contracts are recognized earlier than their start date as the start date is the earliest date that contracts will be deemed onerous. These groups are recognized when the coverage of the first retrocession contract in that group starts or when onerous underlying contracts are recognized, depending on which is earlier.

The remaining treaty contracts, written on a losses-occurring basis and renewed annually, will lead to a 12-month contract boundary.

vii) Initial measurement

On initial recognition, the Company measures a group of reinsurance and retrocession contracts as the total of;

- the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
- the Contractual Service Margin (CSM).

The risk adjustment for non-financial risk for a group of reinsurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The fulfilment cash flows of a group of reinsurance contracts do not reflect the Company's non-performance risk.

The CSM of a group of reinsurance contracts represents the unearned profit that the Company will recognize as it provides services under those contracts. On initial recognition of a group of reinsurance contracts, if the total of

- the fulfilment cash flows,
- any cash flows arising at that date and
- any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognized as a loss in statement of income. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in condensed interim statement of income as reversals of losses on onerous contracts and are excluded from reinsurance revenue.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

vii) Initial measurement (continued)

A loss-recovery component is established or adjusted within the remaining coverage for retrocession contracts held for income recognized in condensed interim statement of income when the entity recognizes a loss on initial recognition of an onerous group of underlying reinsurance contracts or on addition of onerous underlying reinsurance contracts to that group. This amount is calculated by multiplying the loss recognized on underlying reinsurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognized on the underlying insurance contracts. When underlying reinsurance contracts are included in the same group with reinsurance contracts issued that are not retroceded, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying reinsurance contracts.

Fulfilment cash flows (FCF) within contract boundary

Cash flows within the boundary of reinsurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the entity has discretion over the amount or timing. The cash flows within the boundary include:

- premiums (including premium adjustments and instalment premiums) from an insurer and any additional cash flows that result from those premiums.
- payments to (or on behalf of) an insurer, including claims that have already been reported but have not yet been paid (ie reported claims), incurred claims for events that have occurred but for which claims have not been reported and all future claims for which the entity has a substantive obligation.
- payments to (or on behalf of) an insurer that vary depending on returns on underlying items.
- an allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- claim handling costs (i.e. the costs the entity will incur in investigating, processing and resolving claims under existing insurance contracts, including legal and loss-adjusters' fees and internal costs of investigating claims and processing claim payments).
- policy administration and maintenance costs, such as costs of premium billing and handling policy changes (for example, conversions and reinstatements). Such costs also include recurring commissions that are expected to be paid to intermediaries if a particular insurer continues to pay the premiums within the boundary of the insurance contract.
- transaction-based taxes (such as premium taxes, value added taxes and goods and services taxes) and levies (that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis.
- payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the insurer, and related receipts.
- an allocation of fixed and variable overheads (such as the costs of accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities) directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.
- any other costs specifically chargeable to the insurer under the terms of the contract.

Risk of the Company's non-performance is not included in the measurement of groups of reinsurance contracts issued. In the measurement of retrocession contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the retrocessionaires to reflect the non-performance risk of the retrocessionaires. The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of retrocession contracts held and such estimates for the groups of underlying reinsurance contracts.

Discount rates

Discount rates refer to the interest rates used in discounting cash flows to determine the present value of future cash flows. Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin. After estimating the future cash flows arising from the insurance contracts, discounting shall be used to calculate the present value of these cash flows, to reflect the time value of money and the financial risks associated with these cash flows. This is done to the extent that the financial risks are not already included in the cash flow estimates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

vii) Initial measurement (continued)

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 reinsurance 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. The Company estimates an adjustment for non-financial risk separately from all other estimates.

viii) Subsequent measurement

The carrying amount of a group of reinsurance contracts issued at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims;

- the Liability for Remaining Coverage (LRC) comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date.
- the liability for incurred claims (LIC) includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The carrying amount of a group of retrocession at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The fulfilment cash flows of groups of reinsurance and retrocession contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing, and uncertainty of future cash flows and of discount rates. The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

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

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

- a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows (experience adjustments represents the differences between the estimate, at the beginning of the period, of amounts expected in the period and the actual payments during the period);
- b) changes in estimates of the present value of future cash flows in the LRC, except those relating to the effect of the time value of money and the effect of financial risk and changes thereof;
- c) changes in the risk adjustment for non-financial risk that relate to future service.

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

- changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof.
- changes in the FCF relating to the LIC.
- experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as reinsurance acquisition cash flows and premium-based taxes ; and
- experience adjustments relating to reinsurance service expenses (excluding insurance acquisition cash flows).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

viii) Subsequent measurement (continued)

Changes to the Contractual Service Margin (CSM)

For reinsurance contracts issued, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the period,
- changes in fulfilment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in profit or loss and creates a loss component; or
 - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognized in statement of income;
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the services provided in the period.

For a group of retrocession contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying reinsurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognized in reinsurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognized in the reinsurance service result. The contractual service margin for a retrocession contract held represents the cost of purchasing retrocession. This is different from the contractual service margin for underlying reinsurance contracts which represents unearned profit on those contracts. The cost of purchasing retrocession is recognized as services are received under the retrocession contract held. As an exception, if the retrocession contract held covers events that have already occurred, the net cost at initial recognition is recognized immediately in condensed interim statement of income.

The Company prepares financial statements on a quarterly basis. The Company has elected to treat every quarter as a discrete interim reporting period, and estimates made by the Company in previous interim financial statements are not changed when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

The Company does not publish interim financial statements for the last quarter in the year. If an estimate reported in the previous quarter changes significantly in the fourth quarter, the nature and amount of such changes are disclosed in the annual statements.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Company revises the locked-in discount curves by calculating discount rate applicable at the initial recognition of the first contract over the period that contracts in the group are issued. The discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Release of the CSM to statement of income

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

The coverage period is defined as a period during which the entity provides reinsurance contract services. Reinsurance contract services include coverage for an reinsured event (reinsurance coverage). The coverage period used corresponds with the term of the contracts. The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

viii) Subsequent measurement (continued)

Release of the CSM to statement of income (continued)

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

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

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

For reinsurance contracts issued and retrocession contracts held, the CSM is released to statement of income as services, both provided and received, are recognized in the reporting period. Coverage units for the retrocession contracts are based on the insurance coverage provided by the retrocessionaires and are determined by the ceded policies' fixed face values considering new business projected within the retrocession contract boundary. The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

Onerous contracts – loss component

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

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

- a) expected incurred claims and other directly attributable expenses for the period;
- b) changes in the RA for the risk expired; and
- c) finance income or expenses from insurance recontracts issued.

The amounts of loss component allocation in point a) and b) above reduce the respective components of reinsurance revenue and are reflected in reinsurance service expenses. Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Loss recovery component

A loss-recovery component is established or adjusted within the remaining coverage for retrocession contracts held for the amount of income recognized when a loss component is set up for the group of onerous underlying reinsurance contracts.

This amount is calculated by multiplying the loss recognized on underlying reinsurance contracts by the percentage of claims on underlying reinsurance contracts that the Company expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognized on the underlying reinsurance contracts. When underlying reinsurance contracts are included in the same group with reinsurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying reinsurance contracts.

Subsequently, the loss recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying reinsurance contracts. The loss recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying reinsurance contracts that the Company expects to recover from the group of reinsurance contracts held.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

ix) Presentation

Reinsurance revenue

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

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

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

Reinsurance service expenses

Reinsurance service expenses arising from reinsurance contracts are recognized in statement of income generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses
- Amortization of reinsurance acquisition cash flows. For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognized in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Company amortizes insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from retrocession contracts

The Company presents financial performance of groups of retrocession contracts held on a net basis in net expenses or income from retrocession contracts held, comprising the following amounts:

- actual claims and other expenses recovered during the period;
- the effect of changes in the risk of retrocessionaires' non-performance;
- expected claims and other expenses recovery excluding amounts allocated to the loss-recovery component and repayments of investment components
- losses recovered on underlying contracts and reversal of such recoveries;
- changes that relate to past service adjustments to incurred claims component;
- other incurred directly attributable expenses;
- expected claims and other expenses recovery;
- changes in the RA recognised for the risk expired;
- CSM recognised for the services received; and
- premium (and other related cash flows) experience adjustments relating to current service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 17 – Insurance Contracts (continued)

ix) Presentation (continued)

Reinsurance finance income or expenses

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

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

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

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

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

i) Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through statement of income (“FVIS”). On initial recognition, a financial asset is either classified as measured at amortised cost, FVOCI or FVIS.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVIS:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVIS:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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, then the financial assets are measured at FVIS.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 – Financial Instruments (continued)

i) Classification (continued)

Debt instruments (continued)

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 FVIS.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVIS, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVIS, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method. As at 31 March 2023, the Company does not have any debt instruments classified under this category.
- Fair value through statement of income (FVIS): Financial assets that are held for trading purpose or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVIS. A gain or loss on a debt instrument that is subsequently measured at FVIS is presented in the statement of income in the period in which it arises.

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.

The Company will classify all equity investments at FVIS, 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 the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. 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.

ii) Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortized cost, and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognizes a loss allowance for such losses at each reporting date. The loss allowance is based on the Expected Credit Losses ("ECLs") associated with the Probability of Default ("PD") in the next twelve months unless there has been a Significant Increase in Credit Risk ("SICR") since origination. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 – Financial Instruments (continued)

ii) Impairment (continued)

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

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

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial assets, for which 12-month ECLs are recognized, are referred to as “Stage 1” financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as “Stage 2” financial instruments. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial assets for which the lifetime ECLs are recognized and that are credit-impaired are referred to as “Stage 3” financial instruments.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continuously being evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting judgments and estimates applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2022, except for the accounting judgments and estimates provided below.

i) Fulfilment cash flows

Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment for non-financial risk.

Estimates of future cash flows

The best estimate liability (BEL) includes the best estimate of future cash flows, the effects of discounting and financial risks, and a LIC relating to past coverage on subsequent valuation dates. The Company’s objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

i) Fulfilment cash flows (continued)

Estimates of future cash flows (continued)

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of policyholders), reinsurance acquisition cashflows and other costs that are incurred in fulfilling the contracts.

The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company applies the following principles:

- Where there is sufficient data, experience investigations are performed, with adjustments made or any trends as well as to account for external considerations and business strategy; or
- Where data is insufficient or lacks credibility, benchmarks and industry experience would be considered, with appropriate and justifiable adjustments.

The Company makes use of estimates that are current by ensuring that:

- Updates are made to assumptions such that they faithfully represent the conditions at the valuation date;
- The changes in estimates faithfully represent the changes in conditions during the period; and
- Future changes in legislation are not taken into account, unless they have been substantively enacted.

The Company makes use of the following assumptions to project the cash flows:

- Claims ratios and claims payment patterns;
- Expense ratios and expense payment patterns;
- Premium receipt patterns;
- Expected incidence of risk;
- Discounting and;
- Measurement allocation assumptions, to the extent that there are differences between the modelling segmentation and the chosen level of aggregation.

Company's current methodology involves projecting the future cash flow expected to be paid for incurred claims (LIC). This methodology is based on standard actuarial techniques and is thus in line with the requirements of IFRS 17 with the exception of:

- the assumptions used may not always reflect the best estimate as required by IFRS 17, as prudence is occasionally implicitly included in the valuation assumptions.;
- the adjustment to the estimates for the time value of money; and
- the adjustment for non-financial risk, i.e. risk adjustment, is not currently calculated.

For the measurement of the LIC, the Company uses different approaches (i.e. the chain-ladder, Bornhuetter Ferguson and expected loss ratio techniques) for estimating the Incurred But Not Reported Reserves (IBNR) and Incurred But Not Enough Reserves (IBNER). The Company performs the calculations using quarterly claims development for all portfolios.

Risk adjustment for non-financial risk

The Company adjusts the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. The purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The risk adjustment for non-financial risk relates to risk arising from insurance contracts other than financial risk. Financial risk is included in the estimates of the future cash flows, or the discount rate used to adjust the cash flows. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with the inherent uncertainty within the future cash-flows for that group. The Cost of Capital (CoC) approach was used to derive the overall risk adjustment for non-financial risk. In the CoC method, the Company uses SAMA's capital model to calculate the required capital, and then applied a 6% per annum cost of capital to obtain the entity-level risk adjustment. The Company has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

i) Fulfilment cash flows (continued)

Discount rates

The discount rates applied to the estimates of the future cash flows in discounting shall:

- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

The bottom-up approach was used to derive the discount rate for the cash. Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The yield curve will be derived from each currency's risk-free yield curve, plus illiquidity premium as follows:

- the currencies will have its own curve if the currencies current reserves is more than 1% of the total. The remaining will be grouped into the USD currency.
- the risk-free curves for each currency are local government or semi-government issued bonds denominated in local currency
- one 'illiquidity premium' will be calculated and applied to all the yield curves and it is assumed 0.5% based on Solvency II.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

	30 June 2023 (Unaudited)				30 June 2022 (Unaudited)			
	1 year	5 years	10 years	15 years	1 year	5 years	10 years	15 years
SAR	6.38%	4.88%	4.52%	4.46%	3.83%	3.92%	4.40%	4.71%
GBP	6.56%	5.53%	4.75%	4.53%	2.99%	3.02%	2.86%	2.82%
AED	6.38%	4.88%	4.52%	4.46%	4.01%	4.57%	4.94%	5.06%
INR	7.38%	7.63%	7.71%	7.62%	6.75%	7.77%	8.11%	8.08%
KRW	4.29%	3.94%	3.86%	3.82%	3.62%	3.91%	3.72%	3.36%

ii) Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

iii) Measurement of the expected credit loss 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 behaviour. 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 realising 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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 condensed interim financial statements.

i) 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:

- its business model for managing the financial assets; and
- 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 statement of income (FVIS).

Investments in equity instruments are classified and measured at FVIS 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 FVIS 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.

ii) Definition and classification of reinsurance and retrocession contracts

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.

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 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.

iii) Level of aggregation

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 retrocession contracts held. Areas of potential judgements include:

- 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; and
- judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

iii) Level of aggregation (continued)

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.

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, is an area of judgement.

iv) 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 model.

v) Fulfilment cash flows

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 reinsurance 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 reinsurance 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.

vi) Revenue recognition

Reinsurance revenue and retrocession expenses – methods and assumptions used in the determination of the contractual service margin (CSM) to be recognized in condensed interim statement of income for the reinsurance contract services provided or retrocession services received in the period.

Areas of potential judgement are:

- the determination of the expected coverage period over which the CSM is allocated into condensed interim statement of income for the services provided or received, that is, the determination of expected reinsurance coverage period;
- the determination of the coverage units provided or received in the current period and expected to be provided in future periods, including the determination of the relative weighting of the benefits provided by insurance coverage; and
- factoring in the time value of money when determining the equal allocation of the CSM to the coverage units provided or received.

An entity might apply judgement to determine whether the treatment of certain consequential insurance risks within Liability For Remaining Coverage (LRC) or Liability For Incurred Claims (LIC) reflects the most useful information about the reinsurance services provided by the entity to the policyholder.

For contracts measured under the General Measurement Model (GMM) in which the Company has discretion over the cash flows to be paid to the policyholders, judgement might be involved in the determination of what the Company considers its commitment on initial recognition of such contracts. Further, judgement might be required to distinguish subsequent changes in the fulfilment cash flows (FCF) resulting from changes in the Group's commitment and those resulting from changes in assumptions that relate to the financial risk on that commitment.

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6. CASH AND CASH EQUIVALENTS

Reinsurance operations			
	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Cash in hand	50,801	59,710	52,781
Bank balances	31,538,451	20,447,316	21,815,318
Total Bank balances and cash (A)	31,589,252	20,507,026	21,868,099
Shareholders' operations			
	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Bank balances (B)	5,614,560	11,049,626	5,939,195
Total Cash and cash equivalents for reinsurance operations and shareholders' operations (A+B)	37,203,812	31,556,652	27,807,294

Cash at banks are placed with counterparties which have investment grade credit ratings of BBB+ and above.

7. FINANCIAL INVESTMENTS

i. Financial investments held by the Company consist of the following as at:

	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Held at FVIS			
<i>Financial investments mandatorily measured at FVIS</i>			
Money market funds	56,984,394	71,560,649	404,334,650
Investment funds	8,535,800	9,391,200	145,093,747
<i>Financial investments designated at FVIS</i>			
Equity securities	11,464,746	41,143,329	41,318,244
Debt securities*	--	150,558,366	171,976,458
	76,984,940	272,653,544	762,723,099
Held at FVOCI			
Tier 1 Sukuks	119,977,644	119,921,195	92,870,664
	119,977,644	119,921,195	92,870,664
Held at amortized cost			
Time deposits	838,760,547	754,290,068	245,118,247
Debt securities	241,437,836	275,843,647	251,117,854
	1,080,198,383	1,030,133,715	496,236,101
Total financial investments	1,277,160,967	1,422,708,454	1,351,829,864

Financial investments held at amortized cost are stated net of expected credit losses amounting to SR 4,269,090 (31 December 2022: SR 2,935,444, 1 January 2022: SR 1,595,544).

*As 31 December 2022 and 1 January 2022, debt securities classified under financial investments held at fair value through income statements included Funds at Lloyd's (FAL) amounting to SR 150,558,366 and SR 171,976,458 respectively.

During the period, these investments have been liquidated and placed with Custodian from Lloyd's earning average interest ranging from 4.33% to 4.82%. These funds serve as collateral for participation in Lloyd's Syndicates for the underwriting years 2021, 2022, and 2023. Due to the restricted nature of these funds, they have been classified under prepaid expenses, deposits, and other assets.

ii. As at 30 June 2023, 31 December 2022 and 1 January 2022, all investments classified under financial investments held at fair value through income statement are quoted in primary and secondary market.

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7. FINANCIAL INVESTMENTS (CONTINUED)

- iii. The following table analyses financial instruments measured at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorized:

30 June 2023 (Unaudited)				
	Level 1	Level 2	Level 3	Total
Money market funds	--	56,984,394	--	56,984,394
Investment funds	--	8,535,800	--	8,535,800
Equity securities	11,464,746	--	--	11,464,746
Debt securities	--	--	--	--
Tier 1 Sukuks	15,000,000	104,977,644	--	119,977,644
Total	26,464,746	170,497,838	--	196,962,584

31 December 2022 (Unaudited)				
	Level 1	Level 2	Level 3	Total
Money market funds	--	71,560,649	--	71,560,649
Investment funds	--	9,391,200	--	9,391,200
Equity securities	41,143,329	--	--	41,143,329
Debt securities	150,558,366	--	--	150,558,366
Tier 1 Sukuks	15,000,000	104,921,195	--	119,921,195
Total	206,701,695	185,873,044	--	392,574,739

1 January 2022 (Unaudited)				
	Level 1	Level 2	Level 3	Total
Money market funds	--	404,334,650	--	404,334,650
Investment funds	--	145,093,747	--	145,093,747
Equity securities	41,318,244	--	--	41,318,244
Debt securities	171,976,458	--	--	171,976,458
Tier 1 Sukuks	15,000,000	77,870,664	--	92,870,664
Total	228,294,702	627,299,061	--	855,593,763

- iv. The movement of financial investments is as follows:

30 June 2023 (Unaudited)				
	FVIS	FVOCI	Amortized cost	Total
Reinsurance operations				
Opening balance	156,476,356	--	488,815,506	645,291,862
Additions	68,820,997	--	27,000,000	95,820,997
Disposals	(188,426,851)	--	--	(188,426,851)
Net gains	1,589,757	--	--	1,589,757
Accrued interest	--	--	1,413,074	1,413,074
Expected credit losses	--	--	(115,779)	(115,779)
Closing balance	38,460,259	--	517,112,801	555,573,060
Shareholders' operations				
Opening balance	116,177,188	119,921,195	541,318,209	777,416,592
Additions	49,484,442	--	108,187,261	157,671,703
Disposals	(127,641,465)	--	(86,442,084)	(214,083,549)
Net gains	504,516	56,449	--	560,965
Accrued interest	--	--	1,240,011	1,240,011
Expected credit losses	--	--	(1,217,815)	(1,217,815)
Closing balance	38,524,681	119,977,644	563,085,582	721,587,907
Total	76,984,940	119,977,644	1,080,198,383	1,277,160,967

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	31 December 2022 (Unaudited)			
	FVIS	FVOCI	Amortized cost	Total
Reinsurance operations				
Opening balance	440,425,260	--	120,039,203	560,464,463
Additions	52,590,590	--	366,962,321	419,552,911
Disposals	(326,166,316)	--	--	(326,166,316)
Net gains	(10,373,178)	--	--	(10,373,178)
Accrued interest	--	--	1,906,437	1,906,437
Expected credit losses	--	--	(92,455)	(92,455)
Closing balance	156,476,356	--	488,815,506	645,291,862
Shareholders' operations				
Opening balance	322,297,839	92,870,664	376,196,898	791,365,401
Additions	189,561,554	35,335,572	219,355,186	444,252,312
Disposals	(378,605,541)	--	(54,810,000)	(433,415,541)
Net losses	(17,076,664)	(8,285,041)	--	(25,361,705)
Accrued interest	--	--	1,823,570	1,823,570
Expected credit losses	--	--	(1,247,445)	(1,247,445)
Closing balance	116,177,188	119,921,195	541,318,209	777,416,592
Total	272,653,544	119,921,195	1,030,133,715	1,422,708,454

8. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS

	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Funds at Lloyds	151,608,107	--	--
Retroceded share of deposits received against IDI	109,132,746	62,115,699	--
Premium and claim deposits	62,686,489	57,084,578	63,824,121
Refundable deposit	39,282,377	37,857,490	37,857,490
Value added tax	37,420,214	44,767,148	34,215,590
Prepaid expenses	1,150,135	1,448,207	1,475,008
Advances to employees	853,706	1,344,516	574,371
Others	2,327,592	884,702	481,885
	404,461,366	205,502,340	138,428,465

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Deposits received against IDI	112,911,336	63,926,709	--
Unallocated cash	63,798,541	75,709,557	116,161,361
Value added tax payable	8,702,184	19,644,096	9,638,298
Employees bonus	5,465,514	6,153,163	5,235,299
Withholding tax payable	2,133,946	467,866	199,745
Professional fees payable	2,290,379	2,146,425	1,961,432
Directors' remunerations	1,146,700	1,900,000	1,900,000
Consultancy fees	649,748	941,210	1,338,250
Meetings fees and expenses	625,000	955,000	--
Others	2,685,218	4,568,958	9,624,202
	200,408,566	176,412,984	146,058,587

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES
10.1 Reinsurance contracts issued by liability type

As at 30 June 2023	Liabilities (assets) for remaining coverage		Liabilities (assets) for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
Reinsurance contracts					
Reinsurance contract liabilities – opening	(99,857,122)	19,185,756	1,115,681,618	33,717,015	1,068,727,267
Reinsurance contract assets – opening	(115,208,294)	216,205	(146,764,694)	7,984,748	(253,772,035)
Net opening balance	(215,065,416)	19,401,961	968,916,924	41,701,763	814,955,232
Changes in the statement of income					
Reinsurance revenue	(286,627,857)	--	--	--	(286,627,857)
Reinsurance service expenses					
Incurred claims and other directly attributable expenses	--	(31,943,011)	389,092,999	22,302,400	379,452,388
Amortisation of insurance acquisition cash flows	5,226,930	--	--	--	5,226,930
Losses and reversals of losses on onerous contracts	--	46,682,310	--	--	46,682,310
Adjustments to liabilities for incurred claims	--	--	(240,702,823)	(17,115,900)	(257,818,723)
	5,226,930	14,739,299	148,390,176	5,186,500	173,542,905
Reinsurance service result – Gross	(281,400,927)	14,739,299	148,390,176	5,186,500	(113,084,952)
Net finance expenses / (income) from reinsurance contracts issued	14,210,754	1,615,772	41,929,903	(686,112)	57,070,317
Total changes in the statement of income	(267,190,173)	16,355,071	190,320,079	4,500,388	(56,014,635)
Cash flows					
Premiums received	124,693,082	--	360,579,412	--	485,272,494
Claims and other insurance service expenses paid, including investment components	--	--	(395,625,707)	--	(395,625,707)
Insurance acquisition cash flows	(7,161,513)	--	--	--	(7,161,513)
	117,531,569	--	(35,046,295)	--	82,485,274
Changes that relate to premium receivables — premiums expected to be received transferred from the liabilities for remaining coverage to the liabilities for incurred claims	142,169,386	--	(142,169,386)	--	--
Net closing balance	(222,554,634)	35,757,032	982,021,322	46,202,151	841,425,871
Reinsurance contract liabilities – closing	(116,429,701)	31,790,759	1,161,556,065	36,579,210	1,113,496,333
Reinsurance contract assets – closing	(106,124,933)	3,966,273	(179,534,743)	9,622,941	(272,070,462)
Net closing balance	(222,554,634)	35,757,032	982,021,322	46,202,151	841,425,871

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.1 Reinsurance contracts issued by liability type (continued)

As at 31 December 2022	Liabilities (assets) for remaining coverage		Liabilities (assets) for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non- financial risk	
Reinsurance contracts					
Reinsurance contract assets – opening	(89,076,337)	19,977,425	852,257,797	41,986,631	825,145,516
Reinsurance contract liabilities – opening	(68,635,917)	61,753	29,327,359	1,606,508	(37,640,297)
Net opening balance	(157,712,254)	20,039,178	881,585,156	43,593,139	787,505,219
Changes in the statement of income					
Reinsurance revenue	(696,314,308)	--	--	--	(696,314,308)
Reinsurance service expenses					
Incurred claims and other directly attributable expenses	--	(67,759,008)	639,788,735	25,507,588	597,537,315
Amortisation of insurance acquisition cash flows	11,432,476	--	--	--	11,432,476
Losses and reversals of losses on onerous contracts	--	65,267,758	--	--	65,267,758
Adjustments to liabilities for incurred claims	--	--	(57,619,015)	(25,450,344)	(83,069,359)
	11,432,476	(2,491,250)	582,169,720	57,244	591,168,190
Reinsurance service result – Gross	(684,881,832)	(2,491,250)	582,169,720	57,244	(105,146,118)
Net finance (income) / expenses from reinsurance contracts issued	(11,033,186)	1,854,033	(2,198,106)	(1,948,620)	(13,325,879)
Other changes	(6,477,450)	--	6,477,450	--	--
Total changes in the statement of income	(702,392,468)	(637,217)	586,449,064	(1,891,376)	(118,471,997)
Cash flows					
Premiums received	259,234,026	--	389,528,956	--	648,762,982
Claims and other insurance service expenses paid, including investment components	--	--	(486,393,347)	--	(486,393,347)
Insurance acquisition cash flows	(16,447,625)	--	--	--	(16,447,625)
	242,786,401	--	(96,864,391)	--	145,922,010
Changes that relate to premium receivables — premiums expected to be received transferred from the liabilities for remaining coverage to the liabilities for incurred claims	402,252,905	--	(402,252,905)	--	--
Net closing balance	(215,065,416)	19,401,961	968,916,924	41,701,763	814,955,232
Reinsurance contract assets – closing	(99,857,122)	19,185,756	1,115,681,618	33,717,015	1,068,727,267
Reinsurance contract liabilities – closing	(115,208,294)	216,205	(146,764,694)	7,984,748	(253,772,035)
Net closing balance	(215,065,416)	19,401,961	968,916,924	41,701,763	814,955,232

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.2 Reinsurance contracts issued by component

As at 30 June 2023	Present value of future cash flows	Risk adjustment for non - financial risk	Contractual service margin	Total
Reinsurance contracts				
Reinsurance contract liabilities – opening	1,002,791,699	36,463,188	29,472,380	1,068,727,267
Reinsurance contract assets – opening	(467,710,256)	30,689,093	183,249,128	(253,772,035)
Net opening balance	535,081,443	67,152,281	212,721,508	814,955,232
Changes in the statement of income				
Changes that relate to current services				
CSM recognised for the services provided	--	--	(123,471,017)	(123,471,017)
Change in the risk adjustment for non-financial risk for the risk expired	--	22,292,971	--	22,292,971
Experience adjustments	199,229,507	--	--	199,229,507
	199,229,507	22,292,971	(123,471,017)	98,051,462
Changes that relate to future services				
Contracts initially recognised in the period	(208,852,931)	35,039,148	216,309,213	42,495,430
Changes in estimates that adjust the CSM	(14,275,285)	(3,800,032)	18,075,317	--
Changes in estimates that result in losses and reversals of losses on onerous contracts	7,177,697	(2,990,817)	--	4,186,880
	(215,950,519)	28,248,298	234,384,530	46,682,309
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(240,702,823)	(17,115,900)	--	(257,818,723)
	(257,423,835)	33,425,370	110,913,513	(113,084,952)
Reinsurance service result – Gross				
Net finance expenses / (income) from reinsurance contracts issued	48,342,115	(595,406)	9,323,608	57,070,317
Total changes in the statement of income	(209,081,720)	32,829,964	120,237,121	(56,014,635)
Cash flows				
Premiums received	485,272,494	--	--	485,272,494
Claims and other insurance service expenses paid, including investment components	(395,625,707)	--	--	(395,625,707)
Insurance acquisition cash flows	(7,161,513)	--	--	(7,161,513)
	82,485,274	--	--	82,485,274
Net closing balance	408,484,997	99,982,245	332,958,629	841,425,871
Reinsurance contract liabilities – closing	867,022,346	63,688,961	182,785,026	1,113,496,333
Reinsurance contract assets – closing	(458,537,349)	36,293,284	150,173,603	(272,070,462)
Net closing balance	408,484,997	99,982,245	332,958,629	841,425,871

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.2 Reinsurance contracts issued by component (continued)

As at 31 December 2022	Present value of future cash flows	Risk adjustment for non - financial risk	Contractual service margin	Total
Reinsurance contracts				
Reinsurance contract liabilities – opening	710,524,610	50,152,173	64,468,733	825,145,516
Reinsurance contract assets – opening	(75,418,407)	3,727,711	34,050,399	(37,640,297)
Net opening balance	635,106,203	53,879,884	98,519,132	787,505,219
Changes in the statement of income				
Changes that relate to current services				
CSM recognised for the services provided	--	--	(228,893,389)	(228,893,389)
Change in the risk adjustment for non-financial risk for the risk expired	--	26,116,157	--	26,116,157
Experience adjustments	115,432,715	--	--	115,432,715
	115,432,715	26,116,157	(228,893,389)	(87,344,517)
Changes that relate to future services				
Contracts initially recognised in the period	(248,282,690)	28,685,734	279,462,647	59,865,691
Changes in estimates that adjust the CSM	(45,892,931)	(11,323,328)	57,216,259	--
Changes in estimates that result in losses and reversals of losses on onerous contracts	8,043,963	(2,641,896)	--	5,402,067
	(286,131,658)	15,387,365	336,678,906	65,934,613
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(57,619,015)	(25,450,344)	--	(83,069,359)
Reinsurance service result - Gross	(228,317,958)	15,386,323	107,785,517	(105,146,118)
Net finance (income) / expenses from reinsurance contracts issued	(17,628,812)	(2,113,926)	6,416,859	(13,325,879)
Total changes in the statement of income	(245,946,770)	13,272,397	114,202,376	(118,471,997)
Cash flows				
Premiums received	648,762,982	--	--	648,762,982
Claims and other insurance service expenses paid, including investment components	(486,393,347)	--	--	(486,393,347)
Insurance acquisition cash flows	(16,447,625)	--	--	(16,447,625)
	145,922,010	--	--	145,922,010
Net closing balance	535,081,443	67,152,281	212,721,508	814,955,232
Reinsurance contract liabilities – closing	1,002,791,699	36,463,188	29,472,380	1,068,727,267
Reinsurance contract assets – closing	(467,710,256)	30,689,093	183,249,128	(253,772,035)
Net closing balance	535,081,443	67,152,281	212,721,508	814,955,232

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.3 Retrocession contracts issued by liability type

	Liabilities (assets) for remaining coverage		Liabilities (assets) for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
As at 30 June 2023					
Retrocession contracts					
Retrocession contract assets – opening	(1,870,809)	(617,765)	(197,277,260)	(13,679,855)	(213,445,689)
Retrocession contract liabilities – opening	28,087,298	(339,551)	9,454,632	(847,021)	36,355,358
Net opening balance	26,216,489	(957,316)	(187,822,628)	(14,526,876)	(177,090,331)
Allocation of reinsurance premiums paid	43,255,651	--	--	--	43,255,651
Increase in reinsurance contracts held assets from contracts recognised in the period	--	(2,455,241)	--	--	(2,455,241)
Amounts recoverable from retrocessionaires					
Recoveries of incurred claims and other reinsurance services	--	--	(50,578,925)	(3,796,235)	(54,375,160)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	1,581,585	--	--	1,581,585
Adjustments to assets for incurred claims	--	--	45,306,042	9,273,369	54,579,411
	--	1,581,585	(5,272,883)	5,477,134	1,785,836
Changes in the FCF of reinsurance contracts held that adjust the loss recovery component	(16,450,291)	--	16,450,291	--	--
Changes in loss reversal components that result from changes in onerous underlying reinsurance contracts	--	(1,080,762)	--	--	(1,080,762)
Other changes	(1,668,401)	621,287	37,796	--	(1,009,318)
Net expenses / (income) from retrocession contracts	25,136,959	(1,333,131)	11,215,204	5,477,134	40,496,166
Net finance income from retrocession contracts	(25,206,359)	(84,140)	(5,085,478)	(14,597)	(30,390,574)
Total changes in the statement of income	(69,400)	(1,417,271)	6,129,726	5,462,537	10,105,592
Cash flows					
Premiums paid	(25,444,320)	--	(80,028,028)	--	(105,472,348)
Amounts received	--	--	57,353,742	--	57,353,742
	(25,444,320)	--	(22,674,286)	--	(48,118,606)
Net closing balance	702,769	(2,374,587)	(204,367,188)	(9,064,339)	(215,103,345)
Retrocession contract assets – closing	(13,993,156)	(2,084,069)	(223,003,177)	(8,566,930)	(247,647,332)
Retrocession contract liabilities – closing	14,695,925	(290,518)	18,635,989	(497,409)	32,543,987
Net closing balance	702,769	(2,374,587)	(204,367,188)	(9,064,339)	(215,103,345)

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.3 Retrocession contracts issued by liability type (continued)

	Liabilities (assets) for remaining coverage		Liabilities (assets) for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
As at 31 December 2022					
Retrocession contracts					
Retrocession contract assets – opening	(21,230,121)	4,797	(200,081,164)	(7,449,639)	(228,756,127)
Retrocession contract liabilities – opening	(15,253,404)	--	33,177,650	(716,789)	17,207,457
Net opening balance	(36,483,525)	4,797	(166,903,514)	(8,166,428)	(211,548,670)
Allocation of reinsurance premiums paid	119,880,639	--	--	--	119,880,639
Increase in reinsurance contracts held assets from contracts recognised in the period	--	(24,948,247)	--	--	(24,948,247)
Amounts recoverable from retrocessionaires					
Recoveries of incurred claims and other reinsurance services	--	--	(94,653,360)	(6,840,449)	(101,493,809)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	22,087,915	--	--	22,087,915
Adjustments to assets for incurred claims	--	--	5,152,740	357,875	5,510,615
	--	22,087,915	(89,500,620)	(6,482,574)	(73,895,279)
Changes in the FCF of reinsurance contracts held that adjust the loss recovery component	(34,134,901)	--	34,134,901	--	--
Changes in loss reversal components that result from changes in onerous underlying reinsurance contracts	--	2,337,434	--	--	2,337,434
Other changes	--	--	(28,729)	--	(28,729)
Net expenses / (income) from retrocession contracts	85,745,738	(522,898)	(55,394,448)	(6,482,574)	23,345,818
Net finance expenses / (income) from retrocession contracts	12,738,695	(439,215)	(698,804)	122,126	11,722,802
Total changes in the statement of income	98,484,433	(962,113)	(56,093,252)	(6,360,448)	35,068,620
Cash flows					
Premiums paid	(35,784,419)	--	(25,482,582)	--	(61,267,001)
Amounts received	--	--	60,656,720	--	60,656,720
	(35,784,419)	--	35,174,138	--	(610,281)
Net closing balance	26,216,489	(957,316)	(187,822,628)	(14,526,876)	(177,090,331)
Retrocession contract assets – closing	(1,870,809)	(617,765)	(197,277,260)	(13,679,855)	(213,445,689)
Retrocession contract liabilities – closing	28,087,298	(339,551)	9,454,632	(847,021)	36,355,358
Net closing balance	26,216,489	(957,316)	(187,822,628)	(14,526,876)	(177,090,331)

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.4 Retrocession contracts issued by component (continued)

As at 30 June 2023	Present value of future cash flows	Risk adjustment for non - financial risk	Contractual service margin	Total
Retrocession contracts				
Retrocession contract assets – opening	(195,734,194)	(13,914,704)	(3,796,791)	(213,445,689)
Retrocession contract liabilities – opening	183,875,265	(20,478,914)	(127,040,993)	36,355,358
Net opening balance	(11,858,929)	(34,393,618)	(130,837,784)	(177,090,331)
Changes in the statement of income				
Changes that relate to current services				
CSM recognised for the services provided	--	--	15,921,427	15,921,427
Change in the risk adjustment for non-financial risk for the risk expired	--	(3,796,235)	--	(3,796,235)
Experience adjustments	(21,663,109)	--	--	(21,663,109)
	(21,663,109)	(3,796,235)	15,921,427	(9,537,917)
Changes that relate to future services				
Contracts initially recognised in the period	117,774,421	(19,187,911)	(101,041,751)	(2,455,241)
Changes in recoveries of losses on onerous contracts that adjust the CSM	6,487,211	(390,220)	(6,096,991)	--
Changes in estimates that adjust the CSM	1,263,015	(182,178)	(1,080,837)	--
Changes in estimates that result in losses and reversals of losses on onerous contracts	(47,887,269)	969,273	45,837,227	(1,080,769)
	77,637,378	(18,791,036)	(62,382,352)	(3,536,010)
Changes that relate to past services				
Adjustments to assets for incurred claims	45,306,042	9,273,369	--	54,579,411
Other changes	(4,907,063)	180,661	3,717,084	(1,009,318)
Net expenses / (income) from retrocession contracts	96,373,248	(13,133,241)	(42,743,841)	40,496,166
Net finance income from retrocession contracts	(25,298,199)	(14,598)	(5,077,777)	(30,390,574)
Total changes in the statement of income	71,075,049	(13,147,839)	(47,821,618)	10,105,592
Cash flows				
Premiums paid	(105,472,348)	--	--	(105,472,348)
Amounts received	57,353,742	--	--	57,353,742
	(48,118,606)	--	--	(48,118,606)
Net closing balance	11,097,514	(47,541,457)	(178,659,402)	(215,103,345)
Retrocession contract assets – closing	(105,092,587)	(29,126,713)	(113,428,032)	(247,647,332)
Retrocession contract liabilities – closing	116,190,101	(18,414,744)	(65,231,370)	32,543,987
Net closing balance	11,097,514	(47,541,457)	(178,659,402)	(215,103,345)

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.4 Retrocession contracts issued by component (continued)

As at 31 December 2022	Present value of future cash flows	Risk adjustment for non- financial risk	Contractual service margin	Total
Retrocession contracts				
Retrocession contract assets – opening	(203,348,239)	(7,828,917)	(17,578,971)	(228,756,127)
Retrocession contract liabilities – opening	28,156,528	(1,130,137)	(9,818,934)	17,207,457
Net opening balance	<u>(175,191,711)</u>	<u>(8,959,054)</u>	<u>(27,397,905)</u>	<u>(211,548,670)</u>
Changes in the statement of income				
Changes that relate to current services				
CSM recognised for the services provided	--	--	43,563,374	43,563,374
Change in the risk adjustment for non-financial risk for the risk expired	--	(6,833,945)	--	(6,833,945)
Experience adjustments	3,745,316	--	--	3,745,316
	<u>3,745,316</u>	<u>(6,833,945)</u>	<u>43,563,374</u>	<u>40,474,745</u>
Changes that relate to future services				
Contracts initially recognised in the period	157,506,316	(19,059,929)	(163,394,634)	(24,948,247)
Changes in recoveries of losses on onerous contracts that adjust the CSM	(16,228,366)	(2,266,399)	18,494,765	--
Changes in estimates that adjust the CSM	(1,681,850)	(482,989)	2,164,839	--
Changes in estimates that result in losses and reversals of losses on onerous contracts	903,187	2,728,697	(1,294,450)	2,337,434
	<u>140,499,287</u>	<u>(19,080,620)</u>	<u>(144,029,480)</u>	<u>(22,610,813)</u>
Changes that relate to past services				
Adjustments to assets for incurred claims	5,152,740	357,875	--	5,510,615
Other changes	(28,729)	--	--	(28,729)
	<u>149,368,614</u>	<u>(25,556,690)</u>	<u>(100,466,106)</u>	<u>23,345,818</u>
Net (income) / expenses from retrocession contracts	14,574,449	122,126	(2,973,773)	11,722,802
Total changes in the statement of income	<u>163,943,063</u>	<u>(25,434,564)</u>	<u>(103,439,879)</u>	<u>35,068,620</u>
Cash flows				
Premiums paid	(61,267,001)	--	--	(61,267,001)
Amounts received	60,656,720	--	--	60,656,720
	<u>(610,281)</u>	<u>--</u>	<u>--</u>	<u>(610,281)</u>
Net closing balance	<u>(11,858,929)</u>	<u>(34,393,618)</u>	<u>(130,837,784)</u>	<u>(177,090,331)</u>
Retrocession contract assets – closing	(195,734,194)	(13,914,704)	(3,796,791)	(213,445,689)
Retrocession contract liabilities – closing	183,875,265	(20,478,914)	(127,040,993)	36,355,358
Net closing balance	<u>(11,858,929)</u>	<u>(34,393,618)</u>	<u>(130,837,784)</u>	<u>(177,090,331)</u>

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(All amounts in Saudi Riyals unless otherwise stated)
10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.5 Contractual service margin

The following table sets out when the Company expects to recognise the remaining CSM in statement of income after the reporting date.

30 June 2023	1 year	2 years	3 years	4 years	5 years	More than 6 years	Total
CSM for reinsurance contracts issued	112,303,219	30,019,349	14,962,090	13,871,242	15,371,020	146,431,709	332,958,629
CSM for retrocession contracts held	(17,872,577)	(9,275,612)	(10,127,513)	(11,087,159)	(12,301,960)	(117,994,581)	(178,659,402)
Total	94,430,642	20,743,737	4,834,577	2,784,083	3,069,060	28,437,128	154,299,227

31 December 2022	1 year	2 years	3 years	4 years	5 years	More than 6 years	Total
CSM for reinsurance contracts issued	98,390,518	21,508,619	8,636,499	8,096,497	8,360,632	67,728,743	212,721,508
CSM for retrocession contracts held	(28,583,151)	(10,838,028)	(7,836,446)	(7,992,507)	(8,320,206)	(67,267,446)	(130,837,784)
Total	69,807,367	10,670,591	800,053	103,990	40,426	461,297	81,883,724

11. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

Shareholders' operations	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)
Balance at the beginning of the period / year	154,677,375	124,769,846
Share of profit of equity accounted investee for the period / year	30,616,350	34,904,192
Company's share of Other comprehensive income - Impact of foreign currency exchange for the period / year	5,633,387	(8,258,424)
Share of capital contribution of investment in equity accounted investee	--	3,261,761
Balance at the end of the period / year	190,927,112	154,677,375

The Company, on 6 October 2017, acquired 49.9% of the ordinary shares of Probitas Holdings (Bermuda) Limited ("PHBL"). The Company has accounted for this investment as an associate (equity accounted investee). PHBL operates in insurance and reinsurance businesses including Lloyds market in London, United Kingdom.

12. STATUTORY DEPOSIT

The Company has deposited an amount of SR 89.1 million (31 December 2022: SR 89.1 million) with a local bank, which has been rated "A" by Standard & Poor's Rating agency representing the statutory deposit of 10% of its paid-up capital as required by the Implementing Regulations of the "Law On Supervision of Cooperative Insurance Companies" issued by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit generates special commission income which is accrued on regular basis and is shown as a separate line item as part of the shareholders' liabilities in the Statement of Financial Position as "Accrued commission income payable to SAMA". The accrued commission on the deposit as at 30 June 2023 is SR 21,648,485 (31 December 2022: SR 22,084,071) whereas accrued commission income payable to SAMA as at 30 June 2023 is SR 24,205,746 (31 December 2022: SR 23,219,213). The balance of SR 2,557,261 at 30 June 2023 which is the difference between the accrued commission on deposit and the accrued commission payable to SAMA (31 December 2022: SR 1,135,142) is maintained in a separate account with SAMA and presented within cash and cash equivalents.

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and six-month periods ended 30 June 2023****(All amounts in Saudi Riyals unless otherwise stated)****13. PROVISION FOR ZAKAT AND TAX**

A summary of the Company's share capital and percentages of ownership are follows:

	30 June 2023		31 December 2022	
	(Unaudited)		(Unaudited)	
	SR	%	SR	%
Saudi Shareholders	840,480,300	94.33%	841,460,400	94.44%
GCC Shareholders	13,275,900	1.49%	13,632,300	1.53%
GCC Shareholders and general public	853,756,200	95.82%	855,092,700	95.97%
Non-GCC Shareholders	37,243,800	4.18%	35,907,300	4.03%
Total	891,000,000	100%	891,000,000	100%

As of 30 June 2023, the authorized, issued and fully paid-up share capital of the Company consists of 89.1 million shares of SR 10 each (31 December 2022: 89.1 million shares of SR 10 each). The Company's zakat and tax calculations and corresponding accruals and payments of zakat and tax are based on the above ownership percentages in accordance with the relevant provisions of the Saudi Arabian Zakat and Income Tax regulations.

The zakat and tax liability as at period / year end are as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Unaudited)
	SR	SR
Provision for zakat	17,867,680	17,212,979
Provision for tax	316,894	320,184
	18,184,574	17,533,163

The zakat and tax charges for the six-month period ended are as follows:

	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
	SR	SR
Zakat charge for the period	10,740,289	6,767,989
Tax charge for the period	28,538	3,300
	10,768,827	6,771,289

The Company has recorded zakat and tax provision based on the circular No. 12746/16/1438H (18 January 2017) issued by the Zakat, Tax, and Customs Authority (ZATCA), in which Saudi public listed companies are to provide for tax and zakat based on the shareholding percentages of GCC and non-GCC founding shareholders. The shareholding percentages of GCC and non-GCC founding shareholders were 99.6% and 0.4% respectively as at 30 June 2023 and 99.6% and 0.4% as at 31 December 2022.

Status of assessment

The Company has filed its tax / Zakat returns for the year ended 31 December 2022 and obtained the final Zakat certificate up to 2022. However, it is Zakat, Tax, and Customs Authority (ZATCA)'s discretion to issue further assessments for 2022. In October 2021, the ZATCA has issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 3.1 million and SR 4.2 million, respectively. The Company filed an appeal with Tax Committee for Resolution of Tax Violations and Disputes (Level 1) against this additional amount. On 8th September 2022, the Tax Violations and Disputes Committee (Level 1) concluded its hearing with the Company and ZATCA by issuing its verbal ruling wherein it overturned the ZATCA's assessment and ruled in favor of the Company. Following the issuance of the written ruling, the ZATCA submitted an appeal to the Appellate Committee for Tax Violations and Disputes at the GSZTCC (i.e., GSZTCC level 2) on 30 October 2022 & 10 November 2022. The GSZTCC level 2 notified the Company about the appeal for the Company to submit a response. The Company has already responded to this on 27 December 2022.

Status of VAT assessment

As at 30 June 2023, other assets include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and Customs Authority (ZATCA) for 2018 and 2019 financial years amounting to SR 35 million (2022: SR 35 million). The ZATCA accepted the Company's objection regarding local and standard rated purchases and refunded the full amount of SR 3.5 million in early 2021 and rejected the objection for remaining amount. The Company has filed an appeal with The General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC") against the ZATCA's rejection decision. ZATCA filed a counter-reply to the Company's appeal with GSTC in April 2021. The Company has filed a counter reply to ZATCA's counter claim. Simultaneously, an appeal to the Alternative Dispute Resolution Committee ("ADRC") has also been filed to present the Company's perspective to ADRC. Following ADRC's rejection, the Company continued with the appeal with GSZTCC.

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and six-month periods ended 30 June 2023****(All amounts in Saudi Riyals unless otherwise stated)****13. PROVISION FOR ZAKAT AND TAX (CONTINUED)***Status of VAT assessment (continued)*

In June 2022, the Tax Violations and Disputes committee at the GSZTCC (i.e., GSZTCC Level 1) concluded its hearing with the Company and ZATCA by issuing its verbal ruling for which it has overturned the ZATCA's decision and ruled in favour of the Company. In September 2022, the Company received the written ruling from the GSZTCC. Following the issuance of the written ruling, the ZATCA submitted an appeal to the Appellate Committee for Tax Violations and Disputes at the GSZTCC (i.e., GSZTCC level 2) on 6 October 2022. The GSZTCC level 2 notified the Company about the appeal on 9 October 2022 and had set a deadline of 45 business days for the Company to submit a response.

The Company submitted its response on 8 December 2022 to GSZTCC level 2 and is currently awaiting the GSZTCC level 2 hearing or decision (as the case may be). The response basis and the grounds of appeal are based on the understanding of the relevant VAT Legislation in KSA and its applicability on reinsurance activities in line with the previous submissions to the ZATCA and GSZTCC. Based on the facts of the case, the Company is of the view that there are appropriate grounds to defend the position against the ZATCA's appeal.

On 31 May 2023, the ZATCA issued an assessment amounting to SR 1,424,950 for the 2020 tax period, specifically regarding retrocession commissions categorized as standard rated sales. To avoid penalties, the company settled this amount under objection by taking advantage of the amnesty scheme provided by ZATCA. The company has a 60-days from the date of assessment to file an appeal against ZATCA's assessment and is currently preparing to do so. The basis of the appeal will be the company's understanding of the relevant VAT Legislation in KSA and its applicability to reinsurance activities, aligning with previous submissions made to both ZATCA and GSZTCC. Considering the circumstances of the case and outcomes from the previous cases, the Company is of the view that there are appropriate grounds to defend the position against the ZATCA's assessment.

14. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SR 891 million at 30 June 2023 (31 December 2022: SR 891 million) consisting of 89.1 million shares (31 December 2022: 89.1 million shares) of SR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

30 June 2023 (Unaudited)		
	Authorized and issued	Paid up
	Value per	SR
No. of Shares	share	
Ahmed Hamad Algosaibi Brothers Co.	4,455,000	44,550,000
Others	84,645,000	846,450,000
	89,100,000	891,000,000
31 December 2022 (Unaudited)		
	Authorized and issued	Paid up
	Value per	SR
No. of Shares	share	
Ahmed Hamad Algosaibi Brothers Co.	4,455,000	44,550,000
Others	84,645,000	846,450,000
	89,100,000	891,000,000

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

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

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15. INVESTMENT INCOME FROM FINANCIAL ASSETS NOT MEASURED AT FVIS

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Special commission income from time deposits	16,540,961	5,074,313
Special commission income from debt securities	8,504,672	7,660,057
Special commission income from Funds at Lloyds (refer note 7)	1,857,091	--
	26,902,724	12,734,370

16. NET INCOME / (LOSS) FROM FINANCIAL INVESTMENTS MEASURED AT FVIS

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Net gains / (losses) on investments held at fair value statement of income	2,094,273	(19,251,178)
Dividend income	371,008	1,148,733
	2,465,281	(18,102,445)

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. The Company transacts with its related parties in the ordinary course of business.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

Balances with related parties are included in accrued expenses and other liabilities and employees' end of service indemnities as shown in the condensed interim statement of financial position.

Details of transactions and balances with related parties during the period other than those which have been disclosed elsewhere in these financial statements are disclosed below.

Related party	Nature of transactions	Amount of transactions for the six-month period ended		Balance as at	
		30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)	31 December 2022 (Unaudited)
Board of Directors	- Consulting fees	477,116	60,682	--	--
	- Remunerations, meetings fees and expenses	1,996,423	1,611,012	4,312,500	2,845,000
Key management Personnel	- Short term benefits	6,755,092	7,600,346	3,650,178	2,230,311
	- End of service benefits	310,281	301,650	6,411,010	6,100,729
	- Reinsurance revenue	68,483,996	55,006,137	--	--
Associate	- Reinsurance service expenses	(45,025,272)	(46,106,188)	--	--
	- Reinsurance contract assets	--	--	68,568,112	47,008,367
	- Reinsurance contract liabilities	--	--	6,764,104	7,118,411

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18. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company's activities, assets and liabilities as stated below.

18.1 Business segments

	For the three-month period ended 30 June 2023 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	5,427,143	17,828,412	4,643,163	11,927,844	3,300,485	2,063,603	431,999	6,664,363	1,614,166	17,483,722	71,384,900
Expected incurred claims and other expenses	11,721,342	39,251,932	6,887,367	12,227,048	5,957,204	3,300,929	5,590,702	21,040,244	4,763,800	24,074,998	134,815,566
Reinsurance acquisition cash flows recovery	273,730	933,840	120,115	115,475	108,369	109,343	206,508	374,806	110,395	(199,859)	2,152,722
Experience adjustments for premium receipts other than those that relate to future service	(7,210,637)	(14,074,330)	(2,869,480)	(16,209,607)	(2,387,032)	(6,998,236)	(922,968)	6,687,696	9,224,232	(16,254,080)	(51,014,442)
Total reinsurance revenue	10,211,578	43,939,854	8,781,165	8,060,760	6,979,026	(1,524,361)	5,306,241	34,767,109	15,712,593	25,104,781	157,338,746
Incurred claims and other directly attributable expenses	(7,342,157)	(38,621,171)	(6,791,471)	(10,804,728)	(1,685,635)	(450,570)	(5,720,280)	(21,020,894)	4,512,193	(11,855,208)	(99,779,921)
Changes that relate to past service - adjustments to the LIC	(1,197,325)	6,938,879	3,860,885	13,631,909	(3,542,346)	290,305	3,814,790	6,707,449	714,948	21,761,525	52,981,019
Losses on onerous contracts and reversal of those losses	701,485	52,933	322,751	1,337,064	1,136,596	4,338,907	34,278	148,001	--	(8,146,867)	(74,852)
Reinsurance acquisition cash flows amortisation	(273,730)	(933,840)	(120,115)	(115,475)	(108,369)	(109,343)	(206,508)	(374,806)	(110,395)	199,859	(2,152,722)
Total reinsurance service expenses	(8,111,727)	(32,563,199)	(2,727,950)	4,048,770	(4,199,754)	4,069,299	(2,077,720)	(14,540,250)	5,116,746	1,959,309	(49,026,476)
Allocation of retrocession premiums paid	(2,117,696)	(4,259,571)	(225,469)	15,609	(1,091,026)	(73,144)	--	--	(15,037,560)	4,779,521	(18,009,336)
Income on initial recognition of onerous underlying reinsurance contracts	901,916	99,744	(1,141)	--	--	--	--	--	--	873,064	1,873,583
Reversals of a loss-recovery component	(136,223)	(288,810)	(757)	--	--	(127)	--	--	--	(288,250)	(714,167)
Claims and other insurance service expenses recovered	24,160	11,910,354	(104,654)	(85,707)	1,051,999	225	--	--	(3,044,924)	1,833,842	11,585,295
Changes that relate to future service - changes in the FCF of retrocession contracts	(2,836,620)	(168,202)	25,518	--	(719,545)	(261)	--	--	--	(189,678)	(3,888,788)
Changes that relate to past service - adjustments to incurred claims	(9,200,031)	(5,489,172)	547,562	(17,013)	4,831,457	(398,354)	--	--	(3,891,946)	(23,406,756)	(37,024,253)
Total net expense from retrocession contracts	(13,364,494)	1,804,343	241,059	(87,111)	4,072,885	(471,661)	--	--	(21,974,430)	(16,398,257)	(46,177,666)
REINSURANCE SERVICE RESULTS	(11,264,643)	13,180,998	6,294,274	12,022,419	6,852,157	2,073,277	3,228,521	20,226,859	(1,145,091)	10,665,833	62,134,604

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	For the three-month period ended 30 June 2022 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	7,715,883	17,516,880	4,974,771	17,312,466	2,393,206	513,065	1,484,382	5,002,746	310,798	20,665,416	77,889,613
Expected incurred claims and other expenses	9,429,638	37,001,288	6,625,582	16,893,667	6,603,521	1,499,132	17,049,048	20,331,909	(1,711)	15,927,483	131,359,557
Reinsurance acquisition cash flows recovery	207,081	828,655	90,958	194,477	85,464	67,866	302,666	280,811	53,816	356,917	2,468,711
Experience adjustments for premium receipts other than those that relate to future service	(2,139,991)	(21,377,107)	(10,292,017)	(23,496,530)	833,909	4,387,757	(7,812,248)	895,017	(5,158)	(11,867,260)	(70,873,628)
Total reinsurance revenue	15,212,611	33,969,716	1,399,294	10,904,080	9,916,100	6,467,820	11,023,848	26,510,483	357,745	25,082,556	140,844,253
Incurred claims and other directly attributable expenses	(4,625,590)	(50,277,617)	(3,224,225)	(12,384,489)	3,146,819	(3,034,128)	(18,663,285)	(19,963,552)	(259,617)	(9,384,104)	(118,669,788)
Changes that relate to past service - adjustments to the LIC	(169,485)	(19,600,894)	4,907,678	(51,341)	(9,484,936)	(524,489)	(4,365,577)	1,026,553	--	(2,656,446)	(30,918,937)
Losses on onerous contracts and reversal of those losses	973,587	1,988,184	(630,123)	(406,494)	(1,187,801)	(3,706,617)	12,892,015	383,247	2,522,933	(1,138,212)	11,690,719
Reinsurance acquisition cash flows amortisation	(207,081)	(828,655)	(90,958)	(194,477)	(85,464)	(67,866)	(302,666)	(280,811)	(53,816)	(356,917)	(2,468,711)
Total reinsurance service expenses	(4,028,569)	(68,718,982)	962,372	(13,036,801)	(7,611,382)	(7,333,100)	(10,439,513)	(18,834,563)	2,209,500	(13,535,679)	(140,366,717)
Allocation of retrocession premiums paid	(6,617,416)	(11,227,555)	(345,557)	26,435	(3,421,948)	(148,220)	--	--	(47,424)	(11,067,533)	(32,849,218)
Income on initial recognition of onerous underlying reinsurance contracts	(43,486)	27,711,288	2,189	--	--	--	--	--	--	42,501	27,712,492
Reversals of a loss-recovery component	(3,919)	(11,497,509)	(1,565)	(17)	(2,139)	--	--	--	--	(38,655)	(11,543,804)
Claims and other insurance service expenses recovered	624,538	34,184,299	(1,919,443)	13,521	(834,594)	683	--	--	19,158	1,474,060	33,562,222
Changes that relate to future service - changes in the FCF of retrocession contracts	147,811	(16,352,353)	14,421	(69)	(6,771)	556	--	--	-	19,996	(16,176,409)
Changes that relate to past service - adjustments to incurred claims	977,860	7,533,219	2,205,494	(2,510)	2,085,170	(103,642)	--	--	(1,590)	(1,040,417)	11,653,584
Total net income from retrocession contracts	(4,914,612)	30,351,389	(44,461)	37,360	(2,180,282)	(250,623)	--	--	(29,856)	(10,610,048)	12,358,867
REINSURANCE SERVICE RESULTS	6,269,430	(4,397,877)	2,317,205	(2,095,361)	124,436	(1,115,903)	584,335	7,675,920	2,537,389	936,829	12,836,403

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	For the six-month period ended 30 June 2023 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	9,548,583	29,131,638	7,631,780	19,837,561	7,144,599	2,590,395	954,240	11,712,925	4,017,967	30,901,329	123,471,017
Expected incurred claims and other expenses	21,921,468	72,405,175	12,981,377	26,025,005	11,197,779	6,575,303	11,400,974	46,188,707	9,662,148	48,628,492	266,986,428
Reinsurance acquisition cash flows recovery	437,762	1,636,131	232,656	220,287	194,594	223,411	332,453	746,085	194,362	1,009,189	5,226,930
Experience adjustments for premium receipts other than those that relate to future service	(13,570,067)	(31,103,903)	(4,404,121)	(29,904,438)	2,001,248	(10,223,853)	(1,588,459)	9,836,279	12,957,387	(43,056,591)	(109,056,518)
Total reinsurance revenue	18,337,746	72,069,041	16,441,692	16,178,415	20,538,220	(834,744)	11,099,208	68,483,996	26,831,864	37,482,419	286,627,857
Incurred claims and other directly attributable expenses	(41,174,702)	(121,916,500)	(22,100,694)	(44,943,996)	(12,266,688)	(9,486,442)	(16,935,806)	(48,469,008)	(7,549,642)	(54,608,910)	(379,452,388)
Changes that relate to past service - adjustments to the LIC	52,067,704	70,453,190	18,302,480	37,256,082	4,369,850	7,533,078	6,648,974	4,228,225	2,517,355	54,441,785	257,818,723
Losses on onerous contracts and reversal of those losses	(8,219,091)	(21,058,232)	(1,621,523)	222,055	(781,705)	(332,379)	(666,388)	(38,404)	--	(14,186,643)	(46,682,310)
Reinsurance acquisition cash flows amortisation	(437,762)	(1,636,131)	(232,656)	(220,287)	(194,594)	(223,411)	(332,453)	(746,085)	(194,362)	(1,009,189)	(5,226,930)
Total reinsurance service expenses	2,236,149	(74,157,673)	(5,652,393)	(7,686,146)	(8,873,137)	(2,509,154)	(11,285,673)	(45,025,272)	(5,226,649)	(15,362,957)	(173,542,905)
Allocation of retrocession premiums paid	(9,436,501)	(12,014,623)	(1,130,355)	30,840	(4,736,685)	(160,772)	--	--	(22,879,693)	7,072,138	(43,255,651)
Income on initial recognition of onerous underlying reinsurance contracts	989,426	587,898	3,281	--	--	--	--	--	--	874,636	2,455,241
Reversals of a loss-recovery component	(192,325)	(966,019)	(5,799)	--	--	(253)	--	--	--	(417,189)	(1,581,585)
Claims and other insurance service expenses recovered	4,955,847	23,593,360	30,183	56,490	2,623,732	322	--	--	10,995,149	12,120,077	54,375,160
Changes that relate to future service - changes in the FCF of retrocession contracts	336,461	455,801	109,259	--	513,496	1,612	--	--	--	(335,867)	1,080,762
Changes that relate to past service - adjustments to incurred claims	(10,483,029)	(1,963,948)	(708,254)	(60,870)	(1,243,395)	(1,133)	--	--	(5,567,524)	(33,541,940)	(53,570,093)
Total net expense from retrocession contracts	(13,830,121)	9,692,469	(1,701,685)	26,460	(2,842,852)	(160,224)	--	--	(17,452,068)	(14,228,145)	(40,496,166)
REINSURANCE SERVICE RESULTS	6,743,774	7,603,837	9,087,614	8,518,729	8,822,231	(3,504,122)	(186,465)	23,458,724	4,153,147	7,891,317	72,588,786

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	For the six-month period ended 30 June 2022 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	14,114,324	29,408,176	12,925,625	21,573,433	3,875,598	2,130,232	2,225,918	10,008,200	311,978	32,787,950	129,361,434
Expected incurred claims and other expenses	18,811,997	73,057,215	17,119,995	35,378,137	14,417,027	3,036,773	38,515,741	43,695,398	(3,423)	32,043,484	276,072,344
Reinsurance acquisition cash flows recovery	298,187	1,428,629	586,768	371,259	156,362	138,560	492,054	540,192	53,816	671,733	4,737,560
Experience adjustments for premium receipts other than those that relate to future service	(10,437,102)	(31,400,290)	(20,019,296)	(36,289,987)	623,821	1,261,389	13,313,609	762,347	(10,315)	(25,501,195)	(107,697,019)
Total reinsurance revenue	22,787,406	72,493,730	10,613,092	21,032,842	19,072,808	6,566,954	54,547,322	55,006,137	352,056	40,001,972	302,474,319
Incurred claims and other directly attributable expenses	(33,595,453)	(120,560,256)	(28,588,312)	(50,404,813)	(16,504,121)	(7,072,478)	(58,303,617)	(44,513,043)	(260,024)	(42,363,721)	(402,165,838)
Changes that relate to past service - adjustments to the LIC	33,844,032	34,051,011	44,378,264	30,524,209	503,948	(1,208,471)	42,756,614	(520,980)	338	12,411,657	196,740,622
Losses on onerous contracts and reversal of those losses	(5,157,839)	(24,064,410)	(1,194,201)	(196,967)	(3,486,111)	(3,106,695)	(29,706,150)	(531,973)	--	(1,285,474)	(68,729,820)
Reinsurance acquisition cash flows amortisation	(298,187)	(1,428,629)	(586,768)	(371,259)	(156,362)	(138,560)	(492,054)	(540,192)	(53,816)	(671,733)	(4,737,560)
Total reinsurance service expenses	(5,207,447)	(112,002,284)	14,008,983	(20,448,830)	(19,642,646)	(11,526,204)	(45,745,207)	(46,106,188)	(313,502)	(31,909,271)	(278,892,596)
Allocation of retrocession premiums paid	(19,501,333)	(19,506,525)	(24,635,750)	56,477	(9,124,487)	(192,581)	--	--	(24,023)	(19,856,300)	(92,784,522)
Income on initial recognition of onerous underlying reinsurance contracts	3,216	28,076,556	3,398	--	--	--	--	--	--	45,166	28,128,336
Reversals of a loss-recovery component	(4,567)	(11,537,098)	(1,863)	(28)	(5,370)	--	--	--	--	(65,181)	(11,614,107)
Claims and other insurance service expenses recovered	3,311,502	40,108,986	5,100,765	88,445	6,488,112	693	--	--	19,547	10,398,805	65,516,855
Changes that relate to future service - changes in the FCF of retrocession contracts	1,281,914	(16,258,340)	46,219	--	(2,123)	556	--	--	--	10,560	(14,921,214)
Changes that relate to past service - adjustments to incurred claims	5,456,195	10,965,794	(5,312,949)	(99,160)	5,964,999	(198,378)	--	--	(390,648)	312,004	16,697,857
Total net expense from retrocession contracts	(9,453,073)	31,849,373	(24,800,180)	45,734	3,321,131	(389,710)	--	--	(395,124)	(9,154,946)	(8,976,795)
REINSURANCE SERVICE RESULTS	8,126,886	(7,659,181)	(178,105)	629,746	2,751,293	(5,348,960)	8,802,115	8,899,949	(356,570)	(1,062,245)	14,604,928

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	As at 30 June 2023 (Unaudited)												
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Unallocated	Shareholders	Total
As at 30 June 2023													
<u>ASSETS</u>													
Cash and cash equivalents	--	--	--	--	--	--	--	--	--	--	31,589,252	5,614,560	37,203,812
Financial investments at fair value through income statement	--	--	--	--	--	--	--	--	--	--	38,460,259	38,524,681	76,984,940
Financial investments at fair value through other comprehensive income	--	--	--	--	--	--	--	--	--	--	--	119,977,644	119,977,644
Financial investments at amortized cost	--	--	--	--	--	--	--	--	--	--	517,112,801	563,085,582	1,080,198,383
Reinsurance contract assets	19,905,583	53,886,455	23,980,864	15,745,711	16,168,707	13,671,782	4,349,850	68,568,112	13,319,659	42,473,739	--	--	272,070,462
Retrocession contract assets	9,863,358	125,568,969	25,867,757	79,747	11,564,733	23,982	--	--	16,738,058	57,940,728	--	--	247,647,332
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	--	298,527,070	105,934,296	404,461,366
Property and equipment, net	--	--	--	--	--	--	--	--	--	--	9,558,664	27,543,354	37,102,018
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	--	190,927,112	190,927,112
Statutory deposit	--	--	--	--	--	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	--	21,648,485	21,648,485
TOTAL ASSETS	29,768,941	179,455,424	49,848,621	15,825,458	27,733,440	13,695,764	4,349,850	68,568,112	30,057,717	100,414,467	895,248,046	1,162,355,714	2,577,321,554
<u>LIABILITIES</u>													
Margin loan payable	--	--	--	--	--	--	--	--	--	--	--	56,797,019	56,797,019
Reinsurance contract liabilities	100,767,067	472,393,552	74,562,727	107,454,133	65,281,327	45,656,461	35,340,334	6,764,104	15,758,517	189,518,111	--	--	1,113,496,333
Retrocession contract liabilities	8,923,749	4,230,910	1,050,592	-	887,547	120,951	--	--	15,326,874	2,003,364	--	--	32,543,987
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	--	196,992,062	3,416,504	200,408,566
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	--	14,415,418	--	14,415,418
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	--	18,184,574	18,184,574
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	--	24,205,746	24,205,746
TOTAL LIABILITIES	109,690,816	476,624,462	75,613,319	107,454,133	66,168,874	45,777,412	35,340,334	6,764,104	31,085,391	191,521,475	211,407,480	102,603,843	1,460,051,643

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	As at 31 December 2022 (Unaudited)												
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Unallocated	Shareholders	Total
As at 31 December 2022													
ASSETS													
Cash and cash equivalents	--	--	--	--	--	--	--	--	--	--	20,506,974	11,049,678	31,556,652
Financial investments at fair value through income statement	--	--	--	--	--	--	--	--	--	--	156,476,356	116,177,188	272,653,544
Financial investments at fair value through other comprehensive income	--	--	--	--	--	--	--	--	--	--	--	119,921,195	119,921,195
Financial investments at amortized cost	--	--	--	--	--	--	--	--	--	--	488,815,506	541,318,209	1,030,133,715
Reinsurance contract assets	17,517,039	51,246,558	21,765,057	16,235,375	14,932,430	15,933,665	2,535,292	47,008,367	15,149,734	51,448,518	--	--	253,772,035
Retrocession contract assets	10,073,005	101,230,219	26,557,172	36,026	17,334,528	24,175	--	--	--	58,190,564	--	--	213,445,689
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	--	166,831,804	38,670,536	205,502,340
Property and equipment, net	--	--	--	--	--	--	--	--	--	--	8,418,502	27,960,707	36,379,209
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	--	154,677,375	154,677,375
Statutory deposit	--	--	--	--	--	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	--	22,084,071	22,084,071
TOTAL ASSETS	27,590,044	152,476,777	48,322,229	16,271,401	32,266,958	15,957,840	2,535,292	47,008,367	15,149,734	109,639,082	841,049,194	1,120,958,907	2,429,225,825
LIABILITIES													
Margin loan payable	--	--	--	--	--	--	--	--	--	--	--	56,797,019	56,797,019
Reinsurance contract liabilities	96,493,053	434,478,836	80,739,381	103,538,277	67,318,609	47,992,458	73,437,966	7,118,411	--	157,610,276	--	--	1,068,727,267
Retrocession contract liabilities	8,671,366	3,874,843	1,260,332	--	3,551,058	76,517	--	--	12,103,404	6,817,838	--	--	36,355,358
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	--	171,710,830	4,702,154	176,412,984
Employees' end of service benefits	--	--	--	--	--	--	--	--	--	--	13,867,730	--	13,867,730
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	--	17,533,163	17,533,163
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	--	23,219,213	23,219,213
TOTAL LIABILITIES	105,164,419	438,353,679	81,999,713	103,538,277	70,869,667	48,068,975	73,437,966	7,118,411	12,103,404	164,428,114	185,578,560	102,251,549	1,392,912,734

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(All amounts in Saudi Riyals unless otherwise stated)

18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the three-month period ended 30 June 2023 (Unaudited)					
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Total
CSM recognised for services provided	32,690,619	13,456,453	4,152,645	14,048,386	7,036,797	71,384,900
Expected incurred claims and other expenses	50,220,336	15,154,135	5,832,501	41,669,665	21,938,929	134,815,566
Reinsurance acquisition cash flows recovery	1,489,539	326,985	127,875	572,130	(363,807)	2,152,722
Experience adjustments for premium receipts other than those that relate to future service	(28,689,747)	(13,300,379)	(7,452,334)	(7,715,976)	6,143,994	(51,014,442)
Total reinsurance revenue	55,710,747	15,637,194	2,660,687	48,574,205	34,755,913	157,338,746
Incurred claims and other directly attributable expenses	(34,600,645)	(13,391,720)	(3,126,765)	(26,115,662)	(22,545,129)	(99,779,921)
Changes that relate to past service - adjustments to the LIC	61,446,279	7,828,512	5,142,855	(29,776,576)	8,339,949	52,981,019
Losses on onerous contracts and reversal of those losses	1,460,492	(7,779,665)	3,973,887	2,208,894	61,540	(74,852)
Reinsurance acquisition cash flows amortisation	(1,489,539)	(326,985)	(127,875)	(572,130)	363,807	(2,152,722)
Total reinsurance service expenses	26,816,587	(13,669,858)	5,862,102	(54,255,474)	(13,779,833)	(49,026,476)
Allocation of retrocession premiums paid	(12,762,216)	(1,326,827)	(295,981)	(3,627,321)	3,009	(18,009,336)
Income on initial recognition of onerous underlying reinsurance contracts	1,194,524	482,868	(165)	196,356	--	1,873,583
Reversals of a loss-recovery component	(274,216)	(280,785)	(10,146)	(149,020)	--	(714,167)
Claims and other insurance service expenses recovered	5,909,652	8,610,826	72,353	(2,992,220)	(15,316)	11,585,295
Changes that relate to future service - changes in the FCF of retrocession contracts	(4,251,007)	249,794	13,141	99,284	--	(3,888,788)
Changes that relate to past service - adjustments to incurred claims	(37,272,117)	2,295,084	(34,232)	(1,906,299)	(106,689)	(37,024,253)
Total net expenses from retrocession contracts	(47,455,380)	10,030,960	(255,030)	(8,379,220)	(118,996)	(46,177,666)
REINSURANCE SERVICE RESULTS	35,071,954	11,998,296	8,267,759	(14,060,489)	20,857,084	62,134,604

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the three-month period ended 30 June 2022 (Unaudited)					Total
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	
CSM recognised for services provided	40,778,211	9,998,688	2,880,697	18,837,502	5,394,515	77,889,613
Expected incurred claims and other expenses	55,051,458	13,684,345	3,004,609	38,872,594	20,746,551	131,359,557
Reinsurance acquisition cash flows recovery	1,363,431	217,962	76,339	523,279	287,700	2,468,711
Experience adjustments for premium receipts other than those that relate to future service	(50,496,294)	(4,049,112)	1,203,903	(18,664,346)	1,132,221	(70,873,628)
Total reinsurance revenue	46,696,806	19,851,883	7,165,548	39,569,029	27,560,987	140,844,253
Incurred claims and other directly attributable expenses	(72,271,879)	(8,631,480)	(2,561,242)	(14,825,782)	(20,379,405)	(118,669,788)
Changes that relate to past service - adjustments to the LIC	19,108,423	1,815,050	114,884	(53,325,877)	1,368,583	(30,918,937)
Losses on onerous contracts and reversal of those losses	(6,555,655)	(246,125)	(788,748)	18,926,059	355,188	11,690,719
Reinsurance acquisition cash flows amortisation	(1,363,431)	(217,962)	(76,339)	(523,279)	(287,700)	(2,468,711)
Total reinsurance service expenses	(61,082,542)	(7,280,517)	(3,311,445)	(49,748,879)	(18,943,334)	(140,366,717)
Allocation of retrocession premiums paid	(23,556,132)	(1,553,499)	(1,168,232)	(6,571,355)	--	(32,849,218)
Income on initial recognition of onerous underlying reinsurance contracts	28,018,897	177	33,495	(340,077)	--	27,712,492
Reversals of a loss-recovery component	(11,521,156)	(6,796)	(16,394)	542	--	(11,543,804)
Claims and other insurance service expenses recovered	36,311,122	(149,060)	(192,680)	(2,407,160)	--	33,562,222
Changes that relate to future service - changes in the FCF of retrocession contracts	(15,991,919)	2,046	(14,583)	(171,953)	--	(16,176,409)
Changes that relate to past service - adjustments to incurred claims	168,005	7,751,072	195,020	2,353,502	1,185,985	11,653,584
Total net income from retrocession contracts	13,428,817	6,043,940	(1,163,374)	(7,136,501)	1,185,985	12,358,867
REINSURANCE SERVICE RESULTS	(956,919)	18,615,306	2,690,729	(17,316,351)	9,803,638	12,836,403

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the six-month period ended 30 June 2023 (Unaudited)					
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Total
CSM recognised for services provided	60,213,663	20,826,171	5,901,897	24,140,038	12,389,248	123,471,017
Expected incurred claims and other expenses	103,275,396	29,490,850	10,769,757	76,382,652	47,067,773	266,986,428
Reinsurance acquisition cash flows recovery	2,684,719	552,450	235,141	1,000,369	754,251	5,226,930
Experience adjustments for premium receipts other than those that relate to future service	(59,571,440)	(23,527,721)	(12,577,447)	(22,496,805)	9,116,895	(109,056,518)
Total reinsurance revenue	106,602,338	27,341,750	4,329,348	79,026,254	69,328,167	286,627,857
Incurred claims and other directly attributable expenses	(148,529,563)	(60,440,267)	(12,020,264)	(108,972,583)	(49,489,711)	(379,452,388)
Changes that relate to past service - adjustments to the LIC	104,251,016	58,088,333	24,835,963	65,652,536	4,990,875	257,818,723
Losses on onerous contracts and reversal of those losses	(10,052,143)	(17,734,768)	(1,323,575)	(17,533,421)	(38,403)	(46,682,310)
Reinsurance acquisition cash flows amortisation	(2,684,719)	(552,450)	(235,141)	(1,000,369)	(754,251)	(5,226,930)
Total reinsurance service expenses	(57,015,409)	(20,639,152)	11,256,983	(61,853,837)	(45,291,490)	(173,542,905)
Allocation of retrocession premiums paid	(29,908,449)	(4,439,093)	(1,017,634)	(7,893,484)	3,009	(43,255,651)
Income on initial recognition of onerous underlying reinsurance contracts	1,327,596	928,796	2,493	196,356	--	2,455,241
Reversals of a loss-recovery component	(705,939)	(468,125)	(20,239)	(387,282)	--	(1,581,585)
Claims and other insurance service expenses recovered	43,456,937	10,423,873	363,494	126,046	4,810	54,375,160
Changes that relate to future service - changes in the FCF of retrocession contracts	402,494	(265,588)	49,044	894,812	--	1,080,762
Changes that relate to past service - adjustments to incurred claims	(43,630,537)	(5,863,685)	(811,806)	(3,068,809)	(195,256)	(53,570,093)
Total net expenses from retrocession contracts	(29,057,898)	316,178	(1,434,648)	(10,132,361)	(187,437)	(40,496,166)
REINSURANCE SERVICE RESULTS	20,529,031	7,018,776	14,151,683	7,040,056	23,849,240	72,588,786

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the six-month period ended 30 June 2022 (Unaudited)					
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Total
CSM recognised for services provided	65,163,841	21,077,538	5,120,189	27,399,395	10,600,471	129,361,434
Expected incurred claims and other expenses	118,155,440	28,406,609	6,144,788	78,947,528	44,417,979	276,072,344
Reinsurance acquisition cash flows recovery	2,728,990	416,004	150,972	890,452	551,142	4,737,560
Experience adjustments for premium receipts other than those that relate to future service	(69,117,923)	(12,306,654)	(2,309,749)	(24,996,951)	1,034,258	(107,697,019)
Total reinsurance revenue	116,930,348	37,593,497	9,106,200	82,240,424	56,603,850	302,474,319
Incurred claims and other directly attributable expenses	(191,416,302)	(35,521,151)	(7,824,334)	(122,341,895)	(45,062,156)	(402,165,838)
Changes that relate to past service - adjustments to the LIC	156,074,038	14,257,830	1,375,493	25,342,110	(308,849)	196,740,622
Losses on onerous contracts and reversal of those losses	(53,720,089)	(158,041)	(1,812,501)	(12,507,217)	(531,972)	(68,729,820)
Reinsurance acquisition cash flows amortisation	(2,728,990)	(416,004)	(150,972)	(890,452)	(551,142)	(4,737,560)
Total reinsurance service expenses	(91,791,343)	(21,837,366)	(8,412,314)	(110,397,454)	(46,454,119)	(278,892,596)
Allocation of retrocession premiums paid	(70,694,245)	(3,186,671)	(1,757,811)	(17,145,795)	--	(92,784,522)
Income on initial recognition of onerous underlying reinsurance contracts	28,046,455	177	34,704	47,000	--	28,128,336
Reversals of a loss-recovery component	(11,541,804)	(7,727)	(16,526)	(48,050)	--	(11,614,107)
Claims and other insurance service expenses recovered	57,764,652	756,197	48,210	6,947,796	--	65,516,855
Changes that relate to future service - changes in the FCF of retrocession contracts	(15,078,832)	(13,993)	(8,964)	180,575	--	(14,921,214)
Changes that relate to past service - adjustments to incurred claims	2,269,028	6,921,164	572,828	5,777,990	1,156,847	16,697,857
Total net expenses from retrocession contracts	(9,234,746)	4,469,147	(1,127,559)	(4,240,484)	1,156,847	(8,976,795)
REINSURANCE SERVICE RESULTS	15,904,259	20,225,278	(433,673)	(32,397,514)	11,306,578	14,604,928

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	As at 30 June 2023 (Unaudited)							
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Unallocated	Shareholders	Total
ASSETS								
Cash and cash equivalents	--	--	--	--	--	31,589,252	5,614,560	37,203,812
Financial investments at fair value through income statement	38,460,259	--	--	--	--	--	38,524,681	76,984,940
Financial investments at fair value through other comprehensive income	--	--	--	--	--	--	119,977,644	119,977,644
Financial investments at amortized cost	517,112,801	--	--	--	--	--	563,085,582	1,080,198,383
Reinsurance contract assets	73,930,799	40,774,474	30,582,897	55,485,972	71,296,320	--	--	272,070,462
Retrocession contract assets	168,377,070	70,272,923	3,410,158	3,026,912	2,560,269	--	--	247,647,332
Prepaid expenses, deposits and other assets	--	--	--	--	--	298,527,070	105,934,296	404,461,366
Property and equipment, net	--	--	--	--	--	9,558,664	27,543,354	37,102,018
Investment in an equity accounted investee	--	--	--	--	--	--	190,927,112	190,927,112
Statutory deposit	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	21,648,485	21,648,485
TOTAL ASSETS	797,880,929	111,047,397	33,993,055	58,512,884	73,856,589	339,674,986	1,162,355,714	2,577,321,554
LIABILITIES								
Margin loan payable	--	--	--	--	--	--	56,797,019	56,797,019
Reinsurance contract liabilities	443,487,434	180,781,792	45,567,071	432,792,766	10,867,270	--	--	1,113,496,333
Retrocession contract liabilities	28,898,951	887,747	881,661	1,875,628	--	--	--	32,543,987
Accrued expenses and other liabilities	--	--	--	--	--	196,992,062	3,416,504	200,408,566
Employees' end of service benefits	--	--	--	--	--	14,415,418	--	14,415,418
Provision for zakat and tax	--	--	--	--	--	--	18,184,574	18,184,574
Accrued commission income payable to SAMA	--	--	--	--	--	--	24,205,746	24,205,746
TOTAL LIABILITIES	472,386,385	181,669,539	46,448,732	434,668,394	10,867,270	211,407,480	102,603,843	1,460,051,643

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	As at 31 December 2022 (Unaudited)							
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Unallocated	Shareholders	Total
ASSETS								
Cash and cash equivalents	16,011,203	--	--	4,495,823	--	--	11,049,626	31,556,652
Financial investments at fair value through income statement	71,560,649	--	--	--	84,915,707	--	116,177,188	272,653,544
Financial investments at fair value through other comprehensive income	--	--	--	--	--	--	119,921,195	119,921,195
Financial investments at amortized cost	488,815,506	--	--	--	--	--	541,318,209	1,030,133,715
Reinsurance contract assets	85,555,828	31,745,569	30,376,537	53,642,116	52,451,985	--	--	253,772,035
Retrocession contract assets	130,621,713	65,292,993	3,538,417	11,337,638	2,654,928	--	--	213,445,689
Prepaid expenses, deposits and other assets	--	--	--	--	--	166,831,804	38,670,536	205,502,340
Property and equipment, net	7,598,961	--	--	819,541	--	--	27,960,707	36,379,209
Investment in an equity accounted investee	--	--	--	--	--	--	154,677,375	154,677,375
Statutory deposit	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	22,084,071	22,084,071
TOTAL ASSETS	800,163,860	97,038,562	33,914,954	70,295,118	140,022,620	166,831,804	1,120,958,907	2,429,225,825
LIABILITIES								
Margin loan payable	--	--	--	--	--	--	56,797,019	56,797,019
Reinsurance contract liabilities	430,570,822	171,704,453	46,755,838	411,004,356	8,691,798	--	--	1,068,727,267
Retrocession contract liabilities	30,346,096	1,517,347	808,906	3,683,009	--	--	--	36,355,358
Accrued expenses and other liabilities	--	--	--	--	--	171,710,830	4,702,154	176,412,984
Employees' end of service benefits	13,867,730	--	--	--	--	--	--	13,867,730
Provision for zakat and tax	--	--	--	--	--	--	17,533,163	17,533,163
Accrued commission income payable to SAMA	--	--	--	--	--	--	23,219,213	23,219,213
TOTAL LIABILITIES	474,784,648	173,221,800	47,564,744	414,687,365	8,691,798	171,710,830	102,251,549	1,392,912,734

19. COMMITMENTS AND CONTINGENCIES

Legal proceedings and regulations

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

20. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share for the period ended 30 June 2023 and 2022 is calculated by dividing the net income for the period by 89.10 million shares.

21. FAIR VALUE

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

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

The Company's management believe that the carrying value of all financial assets and liabilities, other than those disclosed in note 7, approximate their fair values at the condensed interim financial statements.

22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been approved by the Board of Directors on 23 Muharram 1445H corresponding to 10 August 2023.