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

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

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

For the three-month and nine-month periods ended 30 September 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 September 2023, the related condensed interim statements of income and comprehensive income for the three-month and nine-month periods then ended and condensed interim statements of changes in equity and cash flows for the nine-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 September 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

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Certified Public Accountant
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Riyadh on 12 November 2023
Corresponding to: 28 Rabi' Al Thani 1445H

Dr. Mohamed Al-Amri & Co.

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Saudi Reinsurance Company (A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

		30 September 2023	31 December 2022	1 January 2022
	Notes	(Unaudited)	(Unaudited) Restated	(Unaudited) Restated
ASSETS				
Cash and bank balances	6	47,508,796	31,556,652	27,807,294
Financial investments at fair value through income statement	7	95,331,619	272,653,544	762,723,099
Financial investments at fair value through other comprehensive income	7	120,413,387	119,524,549	92,870,664
Financial investments at amortized cost	7	1,108,671,030	1,030,133,715	496,236,101
Reinsurance contract assets	10	114,533,581	105,036,555	76,794,419
Retrocession contract assets	10	264,498,763	177,090,331	211,549,218
Prepaid expenses, deposits and other assets	8	416,437,134	205,898,986	138,428,465
Property and equipment, net		37,073,927	36,379,209	37,155,827
Investment in an equity accounted investee	11	201,164,310	154,677,375	124,769,846
Statutory deposit	12	89,100,000	89,100,000	89,100,000
Accrued income on statutory deposit	12	21,487,710	22,084,071	20,961,814
TOTAL ASSETS		2,516,220,257	2,244,134,987	2,078,396,747
LIABILITIES				
Margin loan payable		57,095,294	56,797,019	56,797,019
Reinsurance contract liabilities	10	1,052,142,120	919,991,787	864,300,186
Accrued expenses and other liabilities	9	192,393,842	176,412,984	146,058,587
Provision for employees' end of service benefits		14,810,742	13,867,730	12,288,391
Provision for zakat and tax	13	23,686,404	17,533,163	15,266,235
Accrued commission income payable to SAMA	12	25,413,570	23,219,213	20,962,172
TOTAL LIABILITIES EXCLUDING REINSURANCE OPERATIONS' SURPLUS		1,365,541,972	1,207,821,896	1,115,672,590
REINSURANCE OPERATIONS' SURPLUS				
Accumulated surplus		25,099,112	18,908,904	13,549,575
TOTAL REINSURANCE OPERATIONS' SURPLUS		25,099,112	18,908,904	13,549,575
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS		1,390,641,084	1,226,730,800	1,129,222,165
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		200,269,997	95,035,415	21,357,767
Other reserves		(8,736,132)	(11,676,536)	2,067,260
TOTAL EQUITY		1,125,579,173	1,017,404,187	949,174,582
TOTAL LIABILITIES INCLUDING REINSURANCE OPERATIONS' SURPLUS AND EQUITY		2,516,220,257	2,244,134,987	2,078,396,747

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 24 form an integral part of these unaudited condensed interim financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF INCOME

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

		For the three-month period ended		For the nine-month period ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes		Restated		Restated
Reinsurance revenue		207,330,660	172,109,846	493,958,517	474,584,165
Reinsurance service expenses		(210,479,738)	(145,544,829)	(384,022,643)	(424,437,425)
Net income / (expenses) from retrocession contracts		31,732,242	13,202,793	(8,763,924)	4,225,998
Reinsurance service result		28,583,164	39,767,810	101,171,950	54,372,738
Investment income from financial investments not measured at FVIS	15	16,092,865	12,004,716	41,138,498	24,739,086
Net income / (loss) from financial investments measured at FVIS	16	374,801	(4,102,218)	2,840,082	(22,204,663)
Investment management expenses		(703,944)	(1,102,607)	(2,381,110)	(2,976,407)
Net credit impairment losses		(416,314)	(2,605,288)	(1,749,908)	(2,307,244)
Net investment income / (loss)		15,347,408	4,194,603	39,847,562	(2,749,228)
Net finance (expense) / income from reinsurance contracts issued		(6,265,272)	(2,621,878)	(63,335,589)	12,888,728
Net finance (expense) / income from retrocession contracts held		(2,137,999)	1,276,342	28,252,575	767,609
Net financial result		6,944,137	2,849,067	4,764,548	10,907,109
NET REINSURANCE AND INVESTMENT RESULT		35,527,301	42,616,877	105,936,498	65,279,847
Other income		2,139,464	36,100	4,032,371	437,486
Other finance costs		(298,275)	(399,067)	(1,090,494)	(808,296)
Other operating expenses		(9,527,873)	(6,770,095)	(25,618,297)	(14,240,732)
Share of profit of equity accounted investee		13,819,019	10,640,458	44,435,369	32,279,237
Total income for the period before zakat and tax		41,659,636	46,124,273	127,695,447	82,947,542
Total income attributed to the reinsurance operations		(2,083,674)	(2,667,169)	(6,190,208)	(4,601,405)
Net income for the year before zakat and tax attributable to the shareholders		39,575,962	43,457,104	121,505,239	78,346,137
Zakat for the period	13	(5,482,307)	(3,591,819)	(16,222,596)	(10,359,808)
Tax charge for the period	13	(19,523)	(17,011)	(48,061)	(20,311)
Net income for the period after zakat and tax attributable to the shareholders		34,074,132	39,848,274	105,234,582	67,966,018
Basic and diluted earnings per share	21	0.38	0.45	1.18	0.76
Weighted average number of shares in issue		89,100,000	89,100,000	89,100,000	89,100,000

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 24 form an integral part of these unaudited condensed interim financial statements.


Saudi Reinsurance Company (A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME


For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

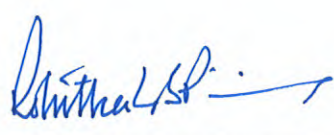
	For the three-month period ended		For the nine-month period ended	
	30 September 2023 (Unaudited)	30 September 2022 (Unaudited) Restated	30 September 2023 (Unaudited)	30 September 2022 (Unaudited) Restated
Net income for the period after zakat and tax attributable to shareholder	34,074,132	39,848,274	105,234,582	67,966,018
<i>Other comprehensive income</i>				
Items that will not be reclassified to income statement subsequently				
Financial investments at FVOCI – net change in fair value	832,389	(3,345,125)	888,838	(8,284,967)
Items that may be classified to income statement subsequently				
Share of foreign currency translation reserve of an equity accounted investee	(3,581,821)	(6,167,067)	2,051,566	(12,504,660)
Total comprehensive income for the period	31,324,700	30,336,082	108,174,986	47,176,391



Managing Director / Chief Executive Officer



Chairman of the Board



Chief Financial Officer

The accompanying notes 1 to 24 form an integral part of these unaudited condensed interim financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 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	(978,740)	(47,284)	(104,393)	12,827	978,740	47,284	104,393	(12,827)	--	--	--	--	--
Net income for the period	--	--	100,874,713	--	--	--	4,359,869	--	--	--	105,234,582	--	105,234,582
Other comprehensive income	--	--	--	2,818,583	--	--	--	121,821	--	--	--	2,940,404	2,940,404
Total comprehensive income for the period	--	--	100,874,713	2,818,583	--	--	4,359,869	121,821	--	--	105,234,582	2,940,404	108,174,986
Balance as at 30 September 2023 (Unaudited)	854,085,870	41,261,941	191,972,811	(8,374,194)	36,914,130	1,783,367	8,297,186	(361,938)	891,000,000	43,045,308	200,269,997	(8,736,132)	1,125,579,173
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	5,489,198	214,082	187,530	15,444	(5,489,198)	(214,082)	(187,530)	(15,444)	--	--	--	--	--
Net income for the period (restated)	--	--	65,374,583	--	--	--	2,591,435	--	--	--	67,966,018	--	67,966,018
Other comprehensive income (restated)	--	--	--	(19,996,952)	--	--	--	(792,675)	--	--	--	(20,789,627)	(20,789,627)
Total comprehensive income for the period (restated)	--	--	65,374,583	(19,996,952)	--	--	2,591,435	(792,675)	--	--	67,966,018	(20,789,627)	47,176,391
Restated balance as at 30 September 2022 (Unaudited)	857,027,600	33,424,610	85,918,013	(18,008,513)	33,972,400	1,324,945	3,405,772	(713,854)	891,000,000	34,749,555	89,323,785	(18,722,367)	996,350,973

Managing Director / Chief Executive Officer

Chairman of the Board

Chief Financial Officer

The accompanying notes 1 to 24 form an integral part of these unaudited condensed interim financial statements.


Saudi Reinsurance Company (A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

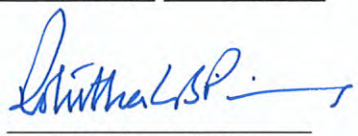
For the nine-month period ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

	<i>Notes</i>	30 September 2023 (Unaudited)	30 September 2022 (Unaudited) Restated
Cashflows (used in) / from operating activities			
Total income for the period before zakat & tax		127,695,447	82,947,542
<i>Adjustments to reconcile net income for the period before zakat and tax to net cash generated from operating activities:</i>			
Provision for employees' end of service benefits		1,510,418	1,311,389
Special commission income from debt securities and sukuk		(12,241,560)	(12,531,647)
Special commission expense on margin loan payable		1,090,494	808,296
Special commission income from time deposits	15	(27,350,892)	(10,177,490)
Amortisation of discount and premium on financial investments at amortized cost, net		(1,546,046)	(2,029,949)
Depreciation of property and equipment		1,827,987	2,219,544
Realized losses / (gains) on financial investments at fair value through income statement	16	1,102,415	(5,006,530)
Unrealized (gains) / losses on financial investments at fair value through income statement	16	(3,434,324)	29,036,084
Share of profit of equity accounted investee		(44,435,369)	(32,279,237)
Provision of expected credit losses		1,749,908	2,307,244
Operating income before changes in operating assets and liabilities		45,968,478	56,605,246
<i>Changes in operating assets and liabilities:</i>			
Reinsurance contract assets		(9,497,026)	2,356,378
Reinsurance contract liabilities		132,150,333	29,645,478
Retrocession contract assets		(87,408,432)	18,560,651
Prepaid expenses, deposits and other assets		(210,538,148)	112,660,994
Accrued expenses and other liabilities		15,980,858	(98,064,729)
		(113,343,937)	121,764,018
Zakat and tax paid		(10,117,416)	(12,998,578)
Employees' end of service benefits paid		(567,406)	(282,778)
Net cash (used in) / from operating activities		(124,028,759)	108,482,662
Cash flows from / (used in) investing activities			
Placements in time deposits		(165,918,802)	(508,769,311)
Proceeds from maturity of time deposits		53,442,084	30,810,000
Receipt of special commission income from time deposits		26,629,096	8,130,672
Receipt of special commission income from debt securities and sukuk		13,698,897	13,819,113
Purchase of property and equipment, net		(2,522,705)	(3,344,765)
Additions to financial investments held at amortized cost		--	(63,734,452)
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		(155,577,521)	(164,261,347)
Proceeds from disposal of financial investments fair value through income statement		335,231,355	594,229,128
Additions to financial investments at fair value through other comprehensive income		--	(21,296,452)
Net cash from / (used in) investing activities		137,982,404	(90,417,414)
FINANCING ACTIVITIES			
Special commission expense paid against margin loans		(792,219)	(808,296)
Net cash used in financing activities		(792,219)	(808,296)
INCREASE IN CASH AND CASH EQUIVALENTS		13,161,426	17,256,952
Cash and cash equivalents at the beginning of the period		30,421,510	27,807,294
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	43,582,936	45,064,246

 Managing Director / Chief Executive Officer

 Chairman of the Board

 Chief Financial Officer

The accompanying notes 1 to 24 form an integral part of these unaudited condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

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 September 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 policies as provided in Notes 3 and 4, which have been prepared in accordance with International Financial Reporting Standards (“IFRS as endorsed in Kingdom of Saudi Arabia”). The results for the three-month and nine-month periods ended 30 September 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, 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.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for “Reinsurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective books of accounts.

Basis of measurement

These unaudited condensed interim financial statements have been prepared under the going concern basis and the historical cost convention, except for reinsurance and retrocession contracts which are measured at the present value of estimated fulfilment cash flows that are expected to arise as the Company fulfils its contractual obligations and a contractual service margin (“CSM”) in accordance with IFRS 17, 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 CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and nine-month periods ended 30 September 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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

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 Contractual Service Margin (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 a separate asset 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 retrocession 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

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 CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and nine-month periods ended 30 September 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 September 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 CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 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.

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and nine-month periods ended 30 September 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)**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)	--
Restated 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 reinsurance 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 insurers' 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 insurer can benefit from it either on its own or with other resources that are readily available to the insurer. 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 insurer becomes due or, if there is no contractual due date, when it is received from the insurer; 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 reinsurance 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 contract.

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 contracts 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 retrocession 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 insurer 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 insurer), 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;
- Discount rates 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) and Future Claims (LRC). The methodology is based on standard actuarial techniques and reflects the best estimate view required under IFRS 17.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

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. This methodology is followed for all currencies with the exception of SAR and AED for which the curves are based on the USD adjusted with the country risk premium.
- illiquidity premium will be calculated and applied to all the yield curves and it is assumed 0.5% based on the illiquidity premium using EIOPA's volatility adjustment.

	30 September 2023 (Unaudited)				30 September 2022 (Unaudited)			
	1 year	5 years	10 years	15 years	1 year	5 years	10 years	15 years
SAR	6.35%	4.47%	4.67%	4.75%	4.57%	4.63%	5.03%	5.20%
GBP	6.25%	4.45%	4.34%	4.40%	5.59%	4.87%	4.15%	3.78%
AED	6.35%	4.47%	4.67%	4.75%	5.42%	5.39%	6.14%	7.02%
INR	7.62%	7.72%	7.87%	7.21%	7.26%	7.98%	8.23%	7.44%
KRW	4.26%	3.97%	4.04%	3.87%	4.55%	4.30%	3.78%	3.60%

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 insurer 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 insurer 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 insurers 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 insurers 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 insurer.

For contracts measured under the General Measurement Model (GMM) in which the Company has discretion over the cash flows to be paid to the insurers, 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 BANK BALANCES

Reinsurance operations			
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Cash in hand	47,907	59,710	52,781
Bank balances	27,984,170	20,447,316	21,815,318
Total Cash and bank balances (A)	28,032,077	20,507,026	21,868,099
Shareholders' operations			
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Bank balances	15,550,859	9,914,484	5,939,195
Bank balance - restricted (accrued income on statutory deposit)	3,925,860	1,135,142	--
Total cash and bank balances (B)	19,476,719	11,049,626	5,939,195
Total Cash and bank balances for reinsurance operations and shareholders' operations (A+B)	47,508,796	31,556,652	27,807,294
Less: Bank balance – restricted	(3,925,860)	(1,135,142)	--
Total cash and cash equivalents in the condensed interim statement of cash flows	43,582,936	30,421,510	27,807,294

Bank balances and cash includes call account balance of SR 3.8 million (31 December 2022: SAR 3 million, 1 January 2022: SR 1.4 million). Bank balances are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

7. FINANCIAL INVESTMENTS

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

	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Held at FVIS			
<i>Financial investments mandatorily measured at FVIS</i>			
Money market funds	88,142,633	71,560,649	404,334,650
Investment funds	7,188,986	9,391,200	145,093,747
<i>Financial investments designated at FVIS</i>			
Equity securities	--	41,143,329	41,318,244
Debt securities*	--	150,558,366	171,976,458
	95,331,619	272,653,544	762,723,099
Held at FVOCI			
<i>Financial investments designated at FVOCI</i>			
Tier 1 Sukuk	120,413,387	119,524,549	92,870,664
	120,413,387	119,524,549	92,870,664
Held at amortized cost			
Time deposits	866,566,510	754,290,068	245,118,247
Debt securities	242,104,520	275,843,647	251,117,854
	1,108,671,030	1,030,133,715	496,236,101
Total financial investments	1,324,416,036	1,422,311,808	1,351,829,864

Financial investments held at amortized cost are stated net of expected credit losses amounting to SR 4,685,311 (31 December 2022: SR 2,935,444, 1 January 2022: SR 1,595,544).

*At 31 December 2022 and 1 January 2022, debt securities classified under financial investments designated at fair value through income statement 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.

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7. FINANCIAL INVESTMENTS (CONTINUED)

ii. As at 30 September 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.

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 September 2023 (Unaudited)				
	Level 1	Level 2	Level 3	Total
Money market funds	--	88,142,633	--	88,142,633
Investment funds	--	7,188,986	--	7,188,986
Equity securities	--	--	--	--
Debt securities	--	--	--	--
Tier 1 Sukuk	--	120,413,387	--	120,413,387
Total	--	215,745,006	--	215,745,006

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 Sukuk	--	119,524,549	--	119,524,549
Total	191,701,695	200,476,398	--	392,178,093

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 Sukuk	--	92,870,664	--	92,870,664
Total	213,294,702	642,299,061	--	855,593,763

iv. The movement of financial investments is as follows:

30 September 2023 (Unaudited)				
	FVIS	FVOCI	Amortized cost	Total
Reinsurance operations				
Opening balance	156,476,356	--	488,815,506	645,291,862
Additions	106,699,202	--	35,825,510	142,524,712
Disposals	(188,426,850)	--	--	(188,426,850)
Realized gains	2,688,983	--	--	2,688,983
Unrealized losses	(549,655)	--	--	(549,655)
Accrued interest	--	--	3,598,698	3,598,698
Expected credit losses	--	--	--	--
Closing balance	76,888,036	--	528,239,714	605,127,750
Shareholders' operations				
Opening balance	116,177,188	119,524,549	541,318,209	777,416,592
Additions	48,878,319	--	130,093,292	178,971,611
Disposals	(146,804,505)	--	(86,442,084)	(233,246,589)
Realized losses	(3,791,398)	--	--	(3,791,398)
Unrealized gains	3,983,979	888,838	--	4,872,817
Accrued interest	--	--	(2,788,193)	(2,788,193)
Expected credit losses	--	--	(1,749,908)	(1,749,908)
Closing balance	18,443,583	120,413,387	580,431,316	719,288,286
Total	95,331,619	120,413,387	1,108,671,030	1,324,416,036

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7. FINANCIAL INVESTMENTS (CONTINUED)

	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)
Realized gains	1,738,256	--	--	1,738,256
Unrealized losses	(12,111,434)	--	--	(12,111,434)
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	34,938,926	219,355,186	443,855,666
Disposals	(378,605,541)	--	(54,810,000)	(433,415,541)
Realized gains	4,791,466	--	--	4,791,466
Unrealized losses	(21,868,130)	(8,285,041)	--	(30,153,171)
Accrued interest	--	--	1,823,570	1,823,570
Expected credit losses	--	--	(1,247,445)	(1,247,445)
Closing balance	116,177,188	119,524,549	541,318,209	777,019,946
Total	272,653,544	119,524,549	1,030,133,715	1,422,311,808

8. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS

	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Funds at Lloyds (refer note 7)	151,713,690	--	--
Retroceded share of deposits received against IDI	116,717,856	62,115,699	--
Premium and claim deposits	61,554,796	57,084,578	63,824,121
Refundable deposit	39,282,377	37,857,490	37,857,490
Value added tax	40,841,890	44,767,148	34,215,590
Prepaid expenses	1,687,295	1,448,207	1,475,008
Advances to employees	1,300,394	1,344,516	574,371
Others	3,338,836	1,281,348	481,885
	416,437,134	205,898,986	138,428,465

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Deposits received against IDI	126,878,630	63,926,709	--
Unallocated cash	25,803,518	75,709,557	116,161,361
Value added tax payable	16,886,599	19,644,096	9,638,298
Employees bonus	11,551,943	6,153,163	5,235,299
Withholding tax payable	2,097,434	467,866	199,745
Professional fees payable	2,845,793	2,146,425	1,961,432
Directors' remunerations	1,725,000	1,900,000	1,900,000
Consultancy fees	1,049,748	941,210	1,338,250
Meetings fees and expenses	932,500	955,000	--
Others	2,622,677	4,568,958	9,624,202
	192,393,842	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

	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	
As at 30 September 2023					
Reinsurance contracts					
Reinsurance contract liabilities – opening	(175,496,477)	19,110,094	1,040,452,236	35,925,934	919,991,787
Reinsurance contract assets – opening	(39,568,939)	291,866	(71,535,311)	5,775,829	(105,036,555)
Net opening balance	(215,065,416)	19,401,960	968,916,925	41,701,763	814,955,232
Changes in the statement of income					
Reinsurance revenue	(493,958,517)	--	--	--	(493,958,517)
Reinsurance service expenses					
Incurred claims and other directly attributable expenses	--	(71,102,911)	616,536,707	28,608,250	574,042,046
Amortisation of insurance acquisition cash flows	8,864,291	--	--	--	8,864,291
Losses and reversals of losses on onerous contracts	--	100,992,634	--	--	100,992,634
Adjustments to liabilities for incurred claims	--	--	(281,236,856)	(18,639,472)	(299,876,328)
	8,864,291	29,889,723	335,299,851	9,968,778	384,022,643
Reinsurance service result – Gross	(485,094,226)	29,889,723	335,299,851	9,968,778	(109,935,874)
Net finance expenses / (income) from reinsurance contracts issued	7,248,277	3,664,305	53,469,803	(1,046,796)	63,335,589
Total changes in the statement of income	(477,845,949)	33,554,028	388,769,654	8,921,982	(46,600,285)
Cash flows					
Premiums received	284,522,925	--	474,397,018	--	758,919,943
Claims and other insurance service expenses paid, including investment components	--	--	(578,646,222)	--	(578,646,222)
Insurance acquisition cash flows	(11,020,129)	--	--	--	(11,020,129)
	273,502,796	--	(104,249,204)	--	169,253,592
Changes that relate to premium receivables — premiums expected to be received transferred from the liabilities for remaining coverage to the liabilities for incurred claims	175,126,974	--	(175,126,974)	--	--
Net closing balance	(244,281,595)	52,955,988	1,078,310,401	50,623,745	937,608,539
Reinsurance contract liabilities – closing	(212,938,064)	52,595,541	1,168,194,693	44,289,950	1,052,142,120
Reinsurance contract assets – closing	(31,343,531)	360,447	(89,884,292)	6,333,795	(114,533,581)
Net closing balance	(244,281,595)	52,955,988	1,078,310,401	50,623,745	937,608,539

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

	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	
As at 31 December 2022					
Reinsurance contracts					
Reinsurance contract assets – opening	(115,442,223)	17,311,452	925,693,167	36,737,790	864,300,186
Reinsurance contract liabilities – opening	(42,269,482)	2,727,727	(44,108,013)	6,855,349	(76,794,419)
Net opening balance	(157,711,705)	20,039,179	881,585,154	43,593,139	787,505,767
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	(11,033,185)	1,854,031	(2,198,106)	(1,948,620)	(13,325,880)
Other changes	(6,477,450)	--	6,477,450	--	--
Total changes in the statement of income	(702,392,467)	(637,219)	586,449,064	(1,891,376)	(118,471,998)
Cash flows					
Premiums received	259,233,476	--	389,528,959	--	648,762,435
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)
	242,785,851	--	(96,864,388)	--	145,921,463
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)	19,401,960	968,916,925	41,701,763	814,955,232
Reinsurance contract assets – closing	(175,496,477)	19,110,094	1,040,452,236	35,925,934	919,991,787
Reinsurance contract liabilities – closing	(39,568,939)	291,866	(71,535,311)	5,775,829	(105,036,555)
Net closing balance	(215,065,416)	19,401,960	968,916,925	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 September 2023	Present value of future cash flows	Risk adjustment for non - financial risk	Contractual service margin	Total
Reinsurance contracts				
Reinsurance contract liabilities – opening	805,804,066	40,850,545	73,337,176	919,991,787
Reinsurance contract assets – opening	(270,722,622)	26,301,735	139,384,332	(105,036,555)
Net opening balance	535,081,444	67,152,280	212,721,508	814,955,232
Changes in the statement of income				
Changes that relate to current services				
CSM recognised for the services provided	--	--	(172,105,131)	(172,105,131)
Change in the risk adjustment for non-financial risk for the risk expired	--	28,527,033	--	28,527,033
Experience adjustments	232,525,918	--	--	232,525,918
	232,525,918	28,527,033	(172,105,131)	88,947,820
Changes that relate to future services				
Contracts initially recognised in the period	(211,596,012)	42,106,510	258,838,019	89,348,517
Changes in estimates that adjust the CSM	(25,786,736)	(7,847,464)	33,634,200	--
Changes in estimates that result in losses and reversals of losses on onerous contracts	17,124,304	(5,480,187)	--	11,644,117
	(220,258,444)	28,778,859	292,472,219	100,992,634
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(281,236,856)	(18,639,472)	--	(299,876,328)
	(268,969,382)	38,666,420	120,367,088	(109,935,874)
Reinsurance service result – Gross				
Net finance expenses / (income) from reinsurance contracts issued	48,273,151	(933,169)	15,995,607	63,335,589
Total changes in the statement of income	(220,696,231)	37,733,251	136,362,695	(46,600,285)
Cash flows				
Premiums received	758,919,943	--	--	758,919,943
Claims and other insurance service expenses paid, including investment components	(578,646,222)	--	--	(578,646,222)
Insurance acquisition cash flows	(11,020,129)	--	--	(11,020,129)
	169,253,592	--	--	169,253,592
Net closing balance	483,638,805	104,885,531	349,084,203	937,608,539
Reinsurance contract liabilities – closing	639,900,409	95,019,605	317,222,106	1,052,142,120
Reinsurance contract assets – closing	(156,261,604)	9,865,926	31,862,097	(114,533,581)
Net closing balance	483,638,805	104,885,531	349,084,203	937,608,539

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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	757,578,352	44,224,526	62,497,308	864,300,186
Reinsurance contract assets – opening	(122,472,150)	9,655,358	36,022,373	(76,794,419)
Net opening balance	635,106,202	53,879,884	98,519,681	787,505,767
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)	14,720,510	336,678,906	65,267,758
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	(17,628,813)	(2,113,926)	6,416,859	(13,325,880)
Total changes in the statement of income	(245,946,771)	13,272,397	114,202,376	(118,471,998)
Cash flows				
Premiums received	648,762,435	--	--	648,762,435
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)
	145,921,463	--	--	145,921,463
Net closing balance	535,080,894	67,152,281	212,722,057	814,955,232
Reinsurance contract liabilities – closing	805,803,516	40,850,546	73,337,725	919,991,787
Reinsurance contract assets – closing	(270,722,622)	26,301,735	139,384,332	(105,036,555)
Net closing balance	535,080,894	67,152,281	212,722,057	814,955,232

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

As at 30 September 2023	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	
Retrocession contracts					
Retrocession contract assets – opening	26,216,488	(957,316)	(187,822,627)	(14,526,876)	(177,090,331)
Retrocession contract liabilities – opening	--	--	--	--	--
Net opening balance	26,216,488	(957,316)	(187,822,627)	(14,526,876)	(177,090,331)
Allocation of reinsurance premiums paid	52,896,111	--	--	--	52,896,111
Increase in reinsurance contracts held assets from contracts recognised in the period	--	(20,245,054)	--	--	(20,245,054)
Amounts recoverable from retrocessionaires					
Recoveries of incurred claims and other reinsurance services	--	--	(104,082,602)	(6,844,459)	(110,927,061)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	--	10,105,314	--	--	10,105,314
Adjustments to assets for incurred claims	--	--	62,464,672	9,447,235	71,911,907
	--	10,105,314	(41,617,930)	2,602,776	(28,909,840)
Changes in the FCF of reinsurance contracts held that adjust the loss recovery component	(29,814,146)	--	29,814,146	--	--
Changes in loss reversal components that result from changes in onerous underlying reinsurance contracts	--	6,049,553	--	--	6,049,553
Other changes	(1,668,401)	621,287	20,268	--	(1,026,846)
Net expenses / (income) from retrocession contracts	21,413,564	(3,468,900)	(11,783,516)	2,602,776	8,763,924
Net finance income from retrocession contracts	(19,167,230)	(899,824)	(8,170,941)	(14,580)	(28,252,575)
Total changes in the statement of income	2,246,334	(4,368,724)	(19,954,457)	2,588,196	(19,488,651)
Cash flows					
Premiums paid	(36,898,433)	--	(97,036,779)	--	(133,935,212)
Amounts received	--	--	66,015,431	--	66,015,431
	(36,898,433)	--	(31,021,348)	--	(67,919,781)
Net closing balance	(8,435,611)	(5,326,040)	(238,798,432)	(11,938,680)	(264,498,763)
Retrocession contract assets – closing	(8,435,611)	(5,326,040)	(238,798,432)	(11,938,680)	(264,498,763)
Retrocession contract liabilities – closing	--	--	--	--	--
Net closing balance	(8,435,611)	(5,326,040)	(238,798,432)	(11,938,680)	(264,498,763)

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.3 Retrocession contracts held 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	(35,127,931)	(96,007)	(168,158,852)	(8,166,428)	(211,549,218)
Retrocession contract liabilities – opening	--	--	--	--	--
Net opening balance	(35,127,931)	(96,007)	(168,158,852)	(8,166,428)	(211,549,218)
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	(1,355,595)	100,804	(28,748)	--	(1,283,539)
Net expenses / (income) from retrocession contracts	84,390,143	(422,094)	(55,394,467)	(6,482,574)	22,091,008
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	97,128,838	(861,309)	(56,093,271)	(6,360,448)	33,813,810
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	26,216,488	(957,316)	(187,822,627)	(14,526,876)	(177,090,331)
Retrocession contract assets – closing	26,216,488	(957,316)	(187,822,627)	(14,526,876)	(177,090,331)
Retrocession contract liabilities – closing	--	--	--	--	--
Net closing balance	26,216,488	(957,316)	(187,822,627)	(14,526,876)	(177,090,331)

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

As at 30 September 2023	Present value of future cash flows	Risk adjustment for non - financial risk	Contractual service margin	Total
Retrocession contracts				
Retrocession contract assets – opening	(11,858,927)	(34,393,619)	(130,837,785)	(177,090,331)
Retrocession contract liabilities – opening	--	--	--	--
Net opening balance	(11,858,927)	(34,393,619)	(130,837,785)	(177,090,331)
Changes in the statement of income				
Changes that relate to current services				
CSM recognised for the services provided	--	--	33,261,920	33,261,920
Change in the risk adjustment for non-financial risk for the risk expired	--	(6,842,924)	--	(6,842,924)
Experience adjustments	(74,344,633)	--	--	(74,344,633)
	(74,344,633)	(6,842,924)	33,261,920	(47,925,637)
Changes that relate to future services				
Contracts initially recognised in the period	151,503,681	(20,709,032)	(151,039,703)	(20,245,054)
Changes in recoveries of losses on onerous contracts that adjust the CSM	1,822,323	(1,319,413)	(502,910)	--
Changes in estimates that adjust the CSM	(4,923,207)	(1,125,514)	6,048,721	--
Changes in estimates that result in losses and reversals of losses on onerous contracts	(13,452,817)	4,143,176	15,359,194	6,049,553
	134,949,980	(19,010,783)	(130,134,698)	(14,195,501)
Changes that relate to past services				
Adjustments to assets for incurred claims	62,464,672	9,447,235	--	71,911,907
Other changes	(4,924,590)	180,661	3,717,084	(1,026,845)
Net expenses / (income) from retrocession contracts	118,145,429	(16,225,811)	(93,155,694)	8,763,924
Net finance income from retrocession contracts	(18,565,905)	(14,580)	(9,672,090)	(28,252,575)
Total changes in the statement of income	99,579,524	(16,240,391)	(102,827,784)	(19,488,651)
Cash flows				
Premiums paid	(133,935,212)	--	--	(133,935,212)
Amounts received	66,015,431	--	--	66,015,431
	(67,919,781)	--	--	(67,919,781)
Net closing balance	19,800,816	(50,634,010)	(233,665,569)	(264,498,763)
Retrocession contract assets – closing	19,800,816	(50,634,010)	(233,665,569)	(264,498,763)
Retrocession contract liabilities – closing	--	--	--	--
Net closing balance	19,800,816	(50,634,010)	(233,665,569)	(264,498,763)

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10. REINSURANCE AND RETROCESSION CONTRACT ASSETS AND LIABILITIES (CONTINUED)
10.4 Retrocession contracts held 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	(169,222,897)	(9,192,902)	(33,133,419)	(211,549,218)
Retrocession contract liabilities – opening	--	--	--	--
Net opening balance	<u>(169,222,897)</u>	<u>(9,192,902)</u>	<u>(33,133,419)</u>	<u>(211,549,218)</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	(7,252,899)	233,847	5,735,513	(1,283,539)
	<u>142,144,444</u>	<u>(25,322,843)</u>	<u>(94,730,593)</u>	<u>22,091,008</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>156,718,893</u>	<u>(25,200,717)</u>	<u>(97,704,366)</u>	<u>33,813,810</u>
Cash flows				
Premiums paid	(60,011,643)	--	--	(60,011,643)
Amounts received	60,656,720	--	--	60,656,720
	<u>645,077</u>	<u>--</u>	<u>--</u>	<u>645,077</u>
Net closing balance	<u>(11,858,927)</u>	<u>(34,393,619)</u>	<u>(130,837,785)</u>	<u>(177,090,331)</u>
Retrocession contract assets – closing	(11,858,927)	(34,393,619)	(130,837,785)	(177,090,331)
Retrocession contract liabilities – closing	--	--	--	--
Net closing balance	<u>(11,858,927)</u>	<u>(34,393,619)</u>	<u>(130,837,785)</u>	<u>(177,090,331)</u>

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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 September 2023	1 year	2 years	3 years	4 years	5 years	More than 6 years	Total
CSM for reinsurance contracts issued	102,973,666	37,190,671	17,627,471	16,238,456	17,619,440	157,434,499	349,084,203
CSM for retrocession contracts held	(43,139,774)	(17,297,584)	(14,127,970)	(13,655,472)	(14,701,546)	(130,743,223)	(233,665,569)
Total	59,833,892	19,893,087	3,499,501	2,582,984	2,917,894	26,691,276	115,418,634

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	67,729,292	212,722,057
CSM for retrocession contracts held	(28,583,151)	(10,838,028)	(7,836,446)	(7,992,507)	(8,320,206)	(67,267,447)	(130,837,785)
Total	69,807,367	10,670,591	800,053	103,990	40,426	461,845	81,884,272

11. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

	30 September 2023	31 December 2022
Shareholders' operations	(Unaudited)	(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	44,435,369	34,904,192
Company's share of Other comprehensive income - Impact of foreign currency exchange for the period / year	2,051,566	(8,258,424)
Share of capital contribution of investment in equity accounted investee	--	3,261,761
Balance at the end of the period / year	201,164,310	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 September 2023 is SR 21,487,710 (31 December 2022: SR 22,084,071) whereas accrued commission income payable to SAMA as at 30 September 2023 is SR 25,413,570 (31 December 2022: SR 23,219,213). The balance of SR 3,925,860 at 30 September 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 and presented within cash and bank balances as restricted cash.

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and nine-month periods ended 30 September 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 September 2023		31 December 2022	
	(Unaudited)		(Unaudited)	
	SR	%	SR	%
Saudi Shareholders	840,658,500	94.35%	841,460,400	94.44%
GCC Shareholders	13,454,100	1.51%	13,632,300	1.53%
GCC Shareholders and general public	854,112,600	95.86%	855,092,700	95.97%
Non-GCC Shareholders	36,887,400	4.14%	35,907,300	4.03%
Total	891,000,000	100%	891,000,000	100%

As of 30 September 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 September 2023	31 December 2022
	(Unaudited)	(Unaudited)
Provision for zakat	23,349,987	17,212,979
Provision for tax	336,417	320,184
	23,686,404	17,533,163

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

	30 September 2023	30 September 2022
	(Unaudited)	(Unaudited)
Zakat charge for the period	16,222,596	10,359,808
Tax charge for the period	48,061	20,311
	16,270,657	10,380,119

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 September 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 2021 & 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 September 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 CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and nine-month periods ended 30 September 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. GSZTCC level 2 hearing took place on 19 September 2023. On 30 October 2023, the Company received a favorable final ruling from GSZTCC level 2 regarding the additional assessments for the VAT years 2018 and 2019 case, resulting in a total of SR 35 million in the Company's favor.

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. On 27 July 2023, the Company submitted the appeal against ZATCA assessment for the 6 tax periods of 2020. On 2 August 2023, the Company had a hearing session with ZATCA appeal committee. On 16 October 2023, ZATCA issued a result notification accepting SR 188,684 and rejected SR 1,236,266 of the objection amount. The Company is considering appealing the rejected amount at GSZTCC level 1 to further escalate the merits of objection of RI commission as per article 33 of the KSA VAT Regulations. 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 September 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 September 2023 (Unaudited)			
Authorized and issued		Paid up	
		Value per share	SR
No. of Shares			
Ahmed Hamad Algosaibi Brothers Co.	4,455,000	10	44,550,000
Others	84,645,000	10	846,450,000
	89,100,000	10	891,000,000

31 December 2022 (Unaudited)			
Authorized and issued		Paid up	
		Value per share	SR
No. of Shares			
Ahmed Hamad Algosaibi Brothers Co.	4,455,000	10	44,550,000
Others	84,645,000	10	846,450,000
	89,100,000	10	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 INVESTMENTS NOT MEASURED AT FVIS

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Special commission income from time deposits	27,350,892	10,177,490
Special commission income from debt securities	13,787,606	14,561,596
	41,138,498	24,739,086

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

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Realized (losses) / gains on investments held at fair value statement of income	(1,102,415)	5,006,530
Unrealized gains / (losses) on investments held at fair value statement of income	3,434,324	(29,036,084)
Dividend income	508,173	1,824,891
	2,840,082	(22,204,663)

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, associate 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 nine-month period ended		Balance as at	
		30 September 2023 (Unaudited)	30 September 2022 (Unaudited)	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)
Board of Directors	- Consulting fees	--	107,306	--	--
	- Remunerations, meetings fees and expenses	1,725,000	2,388,979	2,657,500	2,845,000
Key management Personnel	- Short term benefits	9,623,416	9,456,844	700,000	2,230,311
	- End of service benefits	465,421	454,975	6,566,150	6,100,729
Companies represented by the Board of Director	- Alpha Capital management fees	168,750	--	--	--
	- Reinsurance revenue	109,838,422	88,424,623	--	--
Associate	- Reinsurance service expenses	(85,340,891)	(65,053,902)	--	--
	- Reinsurance contract assets	--	--	70,969,140	47,008,367
	- Reinsurance contract liabilities	--	--	8,405,843	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 September 2023 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	6,742,264	2,445,109	1,922,490	11,462,788	7,627,077	2,177,183	1,083,201	6,068,295	3,446,592	5,659,115	48,634,114
Expected incurred claims and other expenses	16,576,350	42,466,131	7,541,999	11,864,628	7,477,642	4,487,466	5,653,652	23,129,756	6,045,926	29,575,496	154,819,046
Reinsurance acquisition cash flows recovery	488,483	849,417	170,660	198,443	150,232	211,662	218,027	561,396	2,629	786,412	3,637,361
Experience adjustments for premium receipts other than those that relate to future service	(8,931,221)	1,205,900	(2,215,370)	(4,218,614)	(5,003,552)	(744,101)	869,918	11,594,979	(11,174,540)	18,856,740	240,139
Total reinsurance revenue	14,875,876	46,966,557	7,419,779	19,307,245	10,251,399	6,132,210	7,824,798	41,354,426	(1,679,393)	54,877,763	207,330,660
Incurred claims and other directly attributable expenses	(19,685,957)	(64,119,856)	(7,372,330)	(10,294,860)	(8,593,276)	(4,829,920)	(6,168,901)	(34,319,160)	(15,177,161)	(24,028,237)	(194,589,658)
Changes that relate to past service - adjustments to the LIC	10,652,162	23,615,257	1,955,723	(2,755,525)	607,926	(200,869)	4,802,922	(4,225,860)	85,706	7,520,163	42,057,605
Losses on onerous contracts and reversal of those losses	1,047,796	(25,298,068)	664,168	(1,668,714)	(1,882,467)	(299,582)	(1,240,907)	(1,209,203)	--	(24,423,347)	(54,310,324)
Reinsurance acquisition cash flows amortisation	(488,483)	(849,417)	(170,660)	(198,443)	(150,232)	(211,662)	(218,027)	(561,396)	(2,629)	(786,412)	(3,637,361)
Total reinsurance service expenses	(8,474,482)	(66,652,084)	(4,923,099)	(14,917,542)	(10,018,049)	(5,542,033)	(2,824,913)	(40,315,619)	(15,094,084)	(41,717,833)	(210,479,738)
Allocation of retrocession premiums paid	(2,852,353)	(4,275,427)	(328,892)	(42,041)	(3,194,415)	(31,083)	--	--	286,671	797,080	(9,640,460)
Income on initial recognition of onerous underlying reinsurance contracts	(883,394)	17,295,648	4,333	--	--	318	--	--	--	1,372,908	17,789,813
Reversals of a loss-recovery component	55,285	(7,442,823)	(2,675)	--	--	(138)	--	--	--	(1,133,378)	(8,523,729)
Claims and other insurance service expenses recovered	4,970,600	43,038,945	69,679	47,622	1,902,583	4	--	--	7,696,876	(1,174,408)	56,551,901
Changes that relate to future service - changes in the FCF of retrocession contracts	309,744	(9,977,329)	(47,739)	--	1,423,440	1,159	--	--	--	1,160,410	(7,130,315)
Changes that relate to past service - adjustments to incurred claims	(1,302,224)	(3,027,308)	194,281	(15,834)	(80,535)	26	--	--	(290,623)	(12,792,751)	(17,314,968)
Total net expense from retrocession contracts	297,658	35,611,706	(111,013)	(10,253)	51,073	(29,714)	--	--	7,692,924	(11,770,139)	31,732,242
REINSURANCE SERVICE RESULTS	6,699,052	15,926,179	2,385,667	4,379,450	284,423	560,463	4,999,885	1,038,807	(9,080,553)	1,389,791	28,583,164

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	For the three-month period ended 30 September 2022 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	3,346,548	12,386,578	6,698,561	13,022,817	4,406,478	3,380,499	3,548,898	6,908,437	164,089	18,415,593	72,278,498
Expected incurred claims and other expenses	8,967,080	34,264,473	6,387,873	20,408,390	5,926,052	2,238,645	12,717,917	23,132,696	3,423	14,162,173	128,208,722
Reinsurance acquisition cash flows recovery	160,225	1,062,757	111,236	241,216	76,583	146,495	296,611	312,651	76,690	372,769	2,857,233
Experience adjustments for premium receipts other than those that relate to future service	3,348,841	(7,633,366)	(3,084,251)	(15,248,342)	1,156,816	(1,254,753)	(9,970,289)	3,064,702	580,981	(2,194,946)	(31,234,607)
Total reinsurance revenue	15,822,694	40,080,442	10,113,419	18,424,081	11,565,929	4,510,886	6,593,137	33,418,486	825,183	30,755,589	172,109,846
Incurred claims and other directly attributable expenses	(6,901,578)	(8,859,268)	1,732,191	(17,529,554)	(3,206,211)	(1,445,742)	(10,533,208)	(20,303,564)	(3,557,147)	(45,435,540)	(116,039,621)
Changes that relate to past service - adjustments to the LIC	(2,096,798)	(9,344,927)	(7,874,153)	(1,249,453)	(5,724,570)	(1,387,941)	(318,635)	1,907,290	3	3,656,899	(22,432,285)
Losses on onerous contracts and reversal of those losses	637,983	(3,684,527)	416,909	239,433	(2,565,027)	673,156	5,221,032	(238,789)	--	(4,915,860)	(4,215,690)
Reinsurance acquisition cash flows amortisation	(160,225)	(1,062,757)	(111,236)	(241,216)	(76,583)	(146,495)	(296,611)	(312,651)	(76,690)	(372,769)	(2,857,233)
Total reinsurance service expenses	(8,520,618)	(22,951,479)	(5,836,289)	(18,780,790)	(11,572,391)	(2,307,022)	(5,927,422)	(18,947,714)	(3,633,834)	(47,067,270)	(145,544,829)
Allocation of retrocession premiums paid	(3,759,684)	(4,592,310)	(314,789)	(42,504)	(6,215,861)	(45,895)	--	--	(46,950)	501,157	(14,516,836)
Income on initial recognition of onerous underlying reinsurance contracts	22,260	(6,451,342)	(2,545)	--	--	138	--	--	--	456,779	(5,974,710)
Reversals of a loss-recovery component	(8,581)	(2,784,939)	699	28	(1,204)	(64)	--	--	--	(201,369)	(2,995,430)
Claims and other insurance service expenses recovered	442,781	3,872,659	(1,735,249)	14,709	(1,122,451)	174	--	--	190,628	31,593,323	33,256,574
Changes that relate to future service - changes in the FCF of retrocession contracts	17,124	8,803,557	(46,219)	--	1,169	505	--	--	--	61,903	8,838,039
Changes that relate to past service - adjustments to incurred claims	287,998	(4,368,192)	(1,936,236)	(12,164)	2,156,706	(89)	--	--	(1,542)	(1,531,325)	(5,404,844)
Total net income from retrocession contracts	(2,998,102)	(5,520,567)	(4,034,339)	(39,931)	(5,181,641)	(45,231)	--	--	142,136	30,880,468	13,202,793
REINSURANCE SERVICE RESULTS	4,303,974	11,608,396	242,791	(396,640)	(5,188,103)	2,158,633	665,715	14,470,772	(2,666,515)	14,568,787	39,767,810

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	For the nine-month period ended 30 September 2023 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	16,290,847	31,576,747	9,554,270	31,300,349	14,771,676	4,767,578	2,037,441	17,781,220	7,464,559	36,560,444	172,105,131
Expected incurred claims and other expenses	38,497,818	114,871,306	20,523,376	37,889,633	18,675,421	11,062,769	17,054,626	69,318,463	15,708,074	78,203,988	421,805,474
Reinsurance acquisition cash flows recovery	926,245	2,485,548	403,316	418,730	344,826	435,073	550,480	1,307,481	196,991	1,795,601	8,864,291
Experience adjustments for premium receipts other than those that relate to future service	(22,501,288)	(29,898,003)	(6,619,491)	(34,123,052)	(3,002,304)	(10,967,954)	(718,541)	21,431,258	1,782,847	(24,199,851)	(108,816,379)
Total reinsurance revenue	33,213,622	119,035,598	23,861,471	35,485,660	30,789,619	5,297,466	18,924,006	109,838,422	25,152,471	92,360,182	493,958,517
Incurred claims and other directly attributable expenses	(60,860,659)	(186,036,356)	(29,473,024)	(55,238,856)	(20,859,964)	(14,316,362)	(23,104,707)	(82,788,168)	(22,726,803)	(78,637,147)	(574,042,046)
Changes that relate to past service - adjustments to the LIC	62,719,866	94,068,447	20,258,203	34,500,557	4,977,776	7,332,209	11,451,896	2,365	2,603,061	61,961,948	299,876,328
Losses on onerous contracts and reversal of those losses	(7,171,295)	(46,356,300)	(957,355)	(1,446,659)	(2,664,172)	(631,961)	(1,907,295)	(1,247,607)	--	(38,609,990)	(100,992,634)
Reinsurance acquisition cash flows amortisation	(926,245)	(2,485,548)	(403,316)	(418,730)	(344,826)	(435,073)	(550,480)	(1,307,481)	(196,991)	(1,795,601)	(8,864,291)
Total reinsurance service expenses	(6,238,333)	(140,809,757)	(10,575,492)	(22,603,688)	(18,891,186)	(8,051,187)	(14,110,586)	(85,340,891)	(20,320,733)	(57,080,790)	(384,022,643)
Allocation of retrocession premiums paid	(12,288,854)	(16,290,050)	(1,459,247)	(11,201)	(7,931,100)	(191,855)	--	--	(22,593,022)	7,869,218	(52,896,111)
Income on initial recognition of onerous underlying reinsurance contracts	106,032	17,883,546	7,614	--	--	318	--	--	--	2,247,544	20,245,054
Reversals of a loss-recovery component	(137,040)	(8,408,842)	(8,474)	--	--	(391)	--	--	--	(1,550,567)	(10,105,314)
Claims and other insurance service expenses recovered	9,926,447	66,632,305	99,862	104,112	4,526,315	326	--	--	18,692,025	10,945,669	110,927,061
Changes that relate to future service - changes in the FCF of retrocession contracts	646,205	(9,521,528)	61,520	--	1,936,936	2,771	--	--	--	824,543	(6,049,553)
Changes that relate to past service - adjustments to incurred claims	(11,785,253)	(4,991,256)	(513,973)	(76,704)	(1,323,930)	(1,107)	--	--	(5,858,147)	(46,334,691)	(70,885,061)
Total net expense from retrocession contracts	(13,532,463)	45,304,175	(1,812,698)	16,207	(2,791,779)	(189,938)	--	--	(9,759,144)	(25,998,284)	(8,763,924)
REINSURANCE SERVICE RESULTS	13,442,826	23,530,016	11,473,281	12,898,179	9,106,654	(2,943,659)	4,813,420	24,497,531	(4,927,406)	9,281,108	101,171,950

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18. SEGMENTAL INFORMATION (CONTINUED)
18.1 Business segments (continued)

	For the nine-month period ended 30 September 2022 (Unaudited)										
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Total
CSM recognised for services provided	17,460,872	41,794,754	19,624,186	34,596,250	8,282,076	5,510,731	5,774,816	16,916,637	476,067	51,203,543	201,639,932
Expected incurred claims and other expenses	27,779,077	107,321,688	23,507,868	55,786,527	20,343,079	5,275,418	51,233,658	66,828,094	-	46,205,657	404,281,066
Reinsurance acquisition cash flows recovery	458,412	2,491,386	698,004	612,475	232,945	285,055	788,665	852,843	130,506	1,044,502	7,594,793
Experience adjustments for premium receipts other than those that relate to future service	(7,088,261)	(39,033,656)	(23,103,547)	(51,538,329)	1,780,637	6,636	3,343,320	3,827,049	570,666	(27,696,141)	(138,931,626)
Total reinsurance revenue	38,610,100	112,574,172	20,726,511	39,456,923	30,638,737	11,077,840	61,140,459	88,424,623	1,177,239	70,757,561	474,584,165
Incurred claims and other directly attributable expenses	(40,497,031)	(129,419,524)	(26,856,121)	(67,934,367)	(19,710,332)	(8,518,220)	(68,836,825)	(64,816,607)	(3,817,171)	(87,799,261)	(518,205,459)
Changes that relate to past service - adjustments to the LIC	31,747,234	24,706,084	36,504,111	29,274,756	(5,220,622)	(2,596,412)	42,437,979	1,386,310	341	16,068,556	174,308,337
Losses on onerous contracts and reversal of those losses	(4,519,856)	(27,748,937)	(777,292)	42,466	(6,051,138)	(2,433,539)	(24,485,118)	(770,762)	--	(6,201,334)	(72,945,510)
Reinsurance acquisition cash flows amortisation	(458,412)	(2,491,386)	(698,004)	(612,475)	(232,945)	(285,055)	(788,665)	(852,843)	(130,506)	(1,044,502)	(7,594,793)
Total reinsurance service expenses	(13,728,065)	(134,953,763)	8,172,694	(39,229,620)	(31,215,037)	(13,833,226)	(51,672,629)	(65,053,902)	(3,947,336)	(78,976,541)	(424,437,425)
Allocation of retrocession premiums paid	(23,261,017)	(24,098,835)	(24,950,539)	13,973	(15,340,348)	(238,476)	--	--	(70,973)	(19,355,143)	(107,301,358)
Income on initial recognition of onerous underlying reinsurance contracts	25,476	21,625,214	853	--	--	138	--	--	--	501,945	22,153,626
Reversals of a loss-recovery component	(13,148)	(14,322,037)	(1,164)	--	(6,574)	(64)	--	--	--	(266,550)	(14,609,537)
Claims and other insurance service expenses recovered	3,754,283	43,981,645	3,365,516	103,154	5,365,661	867	--	--	210,175	41,992,128	98,773,429
Changes that relate to future service - changes in the FCF of retrocession contracts	1,299,038	(7,454,783)	--	--	(954)	1,061	--	--	--	72,463	(6,083,175)
Changes that relate to past service - adjustments to incurred claims	5,744,193	6,597,602	(7,249,185)	(111,324)	8,121,705	(198,467)	--	--	(392,190)	(1,219,321)	11,293,013
Total net expense from retrocession contracts	(12,451,175)	26,328,806	(28,834,519)	5,803	(1,860,510)	(434,941)	--	--	(252,988)	21,725,522	4,225,998
REINSURANCE SERVICE RESULTS	12,430,860	3,949,215	64,686	233,106	(2,436,810)	(3,190,327)	9,467,830	23,370,721	(3,023,085)	13,506,542	54,372,738

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18. SEGMENTAL INFORMATION (CONTINUED)

18.1 Business segments (continued)

	As at 30 September 2023 (Unaudited)												
	Engineering	Fire	Marine	Motor	General Accident	Protection	Health	Speciality	Inherent Defects Insurance	Others	Unallocated	Shareholders	Total
As at 30 September 2023													
ASSETS													
Cash and bank balances	--	--	--	--	--	--	--	--	--	--	28,032,077	19,476,719	47,508,796
Financial investments at fair value through income statement	--	--	--	--	--	--	--	--	--	--	76,888,036	18,443,583	95,331,619
Financial investments at fair value through other comprehensive income	--	--	--	--	--	--	--	--	--	--	--	120,413,387	120,413,387
Financial investments at amortized cost	--	--	--	--	--	--	--	--	--	--	528,239,714	580,431,316	1,108,671,030
Reinsurance contract assets	354,879	233,220	12,884,706	12,464,850	1,639,688	7,743,561	292,568	70,969,140	--	7,950,969	--	--	114,533,581
Retrocession contract assets	5,117,399	157,390,040	23,436,958	69,605	12,172,327	--	--	--	18,439,586	47,872,848	--	--	264,498,763
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	--	309,799,226	106,637,908	416,437,134
Property and equipment, net	--	--	--	--	--	--	--	--	--	--	9,739,250	27,334,677	37,073,927
Investment in an equity accounted investee	--	--	--	--	--	--	--	--	--	--	--	201,164,310	201,164,310
Statutory deposit	--	--	--	--	--	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	--	--	--	--	--	21,487,710	21,487,710
TOTAL ASSETS	5,472,278	157,623,260	36,321,664	12,534,455	13,812,015	7,743,561	292,568	70,969,140	18,439,586	55,823,817	952,698,303	1,184,489,610	2,516,220,257
LIABILITIES													
Margin loan payable	--	--	--	--	--	--	--	--	--	--	--	57,095,294	57,095,294
Reinsurance contract liabilities	83,891,746	450,888,302	63,612,432	101,558,533	60,292,180	40,684,534	14,089,406	8,405,843	29,287,082	199,432,062	--	--	1,052,142,120
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	--	187,194,213	5,199,629	192,393,842
Provision for employees' end of service benefits	--	--	--	--	--	--	--	--	--	--	14,810,742	--	14,810,742
Provision for zakat and tax	--	--	--	--	--	--	--	--	--	--	--	23,686,404	23,686,404
Accrued commission income payable to SAMA	--	--	--	--	--	--	--	--	--	--	--	25,413,570	25,413,570
TOTAL LIABILITIES	83,891,746	450,888,302	63,612,432	101,558,533	60,292,180	40,684,534	14,089,406	8,405,843	29,287,082	199,432,062	202,004,955	111,394,897	1,365,541,972

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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 bank balances	--	--	--	--	--	--	--	--	--	--	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	--	--	--	--	--	--	--	--	--	--	--	119,524,549	119,524,549
Financial investments at amortized cost	--	--	--	--	--	--	--	--	--	--	488,815,506	541,318,209	1,030,133,715
Reinsurance contract assets	551,808	609,027	9,267,726	10,041,750	989,457	8,830,225	327,466	47,109,650	15,149,734	12,159,712	--	--	105,036,555
Retrocession contract assets	1,401,640	97,355,376	25,296,841	51,708	13,783,470	(52,342)	--	--	12,103,404	27,150,234	--	--	177,090,331
Prepaid expenses, deposits and other assets	--	--	--	--	--	--	--	--	--	--	167,228,450	38,670,536	205,898,986
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	1,953,448	97,964,403	34,564,567	10,093,458	14,772,927	8,777,883	327,466	47,109,650	27,253,138	39,309,946	841,445,840	1,120,562,261	2,244,134,987
LIABILITIES													
Margin loan payable	--	--	--	--	--	--	--	--	--	--	--	56,797,019	56,797,019
Reinsurance contract liabilities	79,527,822	383,841,304	68,242,050	97,344,652	53,375,636	40,889,018	71,230,139	7,865,512	--	117,675,654	--	--	919,991,787
Accrued expenses and other liabilities	--	--	--	--	--	--	--	--	--	--	171,710,830	4,702,154	176,412,984
Provision for 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	79,527,822	383,841,304	68,242,050	97,344,652	53,375,636	40,889,018	71,230,139	7,865,512	-	117,675,654	185,578,560	102,251,549	1,207,821,896

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the three-month period ended 30 September 2023 (Unaudited)					
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Total
CSM recognised for services provided	25,723,313	2,090,759	3,467,701	11,277,305	6,075,036	48,634,114
Expected incurred claims and other expenses	62,254,664	16,765,948	6,558,252	45,957,007	23,283,175	154,819,046
Reinsurance acquisition cash flows recovery	1,621,354	510,747	201,678	735,053	568,529	3,637,361
Experience adjustments for premium receipts other than those that relate to future service	(7,825,209)	2,182,289	(2,436,545)	(3,102,895)	11,422,499	240,139
Total reinsurance revenue	81,774,122	21,549,743	7,791,086	54,866,470	41,349,239	207,330,660
Incurred claims and other directly attributable expenses	(91,372,683)	(23,223,998)	(8,063,571)	(37,628,706)	(34,300,700)	(194,589,658)
Changes that relate to past service - adjustments to the LIC	28,459,937	2,557,743	(4,862,639)	20,525,198	(4,622,634)	42,057,605
Losses on onerous contracts and reversal of those losses	(9,523,892)	(30,188,342)	(2,829,018)	(10,559,869)	(1,209,203)	(54,310,324)
Reinsurance acquisition cash flows amortisation	(1,621,354)	(510,747)	(201,678)	(735,053)	(568,529)	(3,637,361)
Total reinsurance service expenses	(74,057,992)	(51,365,344)	(15,956,906)	(28,398,430)	(40,701,066)	(210,479,738)
Allocation of retrocession premiums paid	(5,452,895)	(1,638,154)	(252,669)	(2,295,030)	(1,712)	(9,640,460)
Income on initial recognition of onerous underlying reinsurance contracts	15,246,811	1,934,666	206,231	402,105	--	17,789,813
Reversals of a loss-recovery component	(6,544,820)	(1,591,240)	(153,600)	(234,069)	--	(8,523,729)
Claims and other insurance service expenses recovered	40,915,023	17,693,097	388,826	(2,445,832)	787	56,551,901
Changes that relate to future service - changes in the FCF of retrocession contracts	(7,380,320)	(6,737)	(40,485)	297,227	--	(7,130,315)
Changes that relate to past service - adjustments to incurred claims	(17,325,951)	3,942,319	152,625	(4,202,085)	118,124	(17,314,968)
Total net expenses from retrocession contracts	19,457,848	20,333,951	300,928	(8,477,684)	117,199	31,732,242
REINSURANCE SERVICE RESULTS	27,173,978	(9,481,650)	(7,864,892)	17,990,356	765,372	28,583,164

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the three-month period ended 30 September 2022 (Unaudited)					Total
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	
CSM recognised for services provided	26,127,605	6,499,846	4,603,580	27,327,580	7,719,887	72,278,498
Expected incurred claims and other expenses	49,958,239	14,539,335	6,590,791	33,508,857	23,611,500	128,208,722
Reinsurance acquisition cash flows recovery	1,637,911	338,070	144,748	417,466	319,038	2,857,233
Experience adjustments for premium receipts other than those that relate to future service	(22,244,499)	(2,063,085)	(1,110,380)	(8,394,377)	2,577,734	(31,234,607)
Total reinsurance revenue	55,479,256	19,314,166	10,228,739	52,859,526	34,228,159	172,109,846
Incurred claims and other directly attributable expenses	(69,549,154)	(8,385,533)	(4,022,488)	(13,371,052)	(20,711,394)	(116,039,621)
Changes that relate to past service - adjustments to the LIC	(83,626)	(4,052,437)	2,970,392	(23,204,228)	1,937,614	(22,432,285)
Losses on onerous contracts and reversal of those losses	(452,534)	(3,492,117)	(1,322,230)	1,239,091	(238,789)	(4,266,579)
Reinsurance acquisition cash flows amortisation	(1,637,911)	(338,070)	(144,748)	(417,466)	(268,149)	(2,806,344)
Total reinsurance service expenses	(71,723,225)	(16,268,157)	(2,519,074)	(35,753,655)	(19,280,718)	(145,544,829)
Allocation of retrocession premiums paid	(8,973,102)	(1,087,732)	(338,955)	(4,112,246)	(4,801)	(14,516,836)
Income on initial recognition of onerous underlying reinsurance contracts	(6,368,790)	218,180	103,587	72,313	--	(5,974,710)
Reversals of a loss-recovery component	(2,755,634)	(124,979)	(84,523)	(30,294)	--	(2,995,430)
Claims and other insurance service expenses recovered	35,195,095	2,220,655	409,749	(4,578,989)	10,064	33,256,574
Changes that relate to future service - changes in the FCF of retrocession contracts	8,802,928	38,763	17,310	(20,962)	--	8,838,039
Changes that relate to past service - adjustments to incurred claims	(7,323,046)	(138,156)	(622,968)	2,684,626	(5,300)	(5,404,844)
Total net income from retrocession contracts	18,577,451	1,126,731	(515,800)	(5,985,552)	(37)	13,202,793
REINSURANCE SERVICE RESULTS	2,333,482	4,172,740	7,193,865	11,120,319	14,947,404	39,767,810

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the nine-month period ended 30 September 2023 (Unaudited)					
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Total
CSM recognised for services provided	85,936,976	22,916,930	9,369,598	35,417,343	18,464,284	172,105,131
Expected incurred claims and other expenses	165,530,060	46,256,798	17,328,009	122,339,659	70,350,948	421,805,474
Reinsurance acquisition cash flows recovery	4,306,073	1,063,197	436,819	1,735,422	1,322,780	8,864,291
Experience adjustments for premium receipts other than those that relate to future service	(67,396,649)	(21,345,432)	(15,013,992)	(25,599,700)	20,539,394	(108,816,379)
Total reinsurance revenue	188,376,460	48,891,493	12,120,434	133,892,724	110,677,406	493,958,517
Incurred claims and other directly attributable expenses	(239,902,246)	(83,664,265)	(20,083,835)	(146,601,289)	(83,790,411)	(574,042,046)
Changes that relate to past service - adjustments to the LIC	132,710,953	60,646,076	19,973,324	86,177,734	368,241	299,876,328
Losses on onerous contracts and reversal of those losses	(19,576,035)	(47,923,110)	(4,152,593)	(28,093,290)	(1,247,606)	(100,992,634)
Reinsurance acquisition cash flows amortisation	(4,306,073)	(1,063,197)	(436,819)	(1,735,422)	(1,322,780)	(8,864,291)
Total reinsurance service expenses	(131,073,401)	(72,004,496)	(4,699,923)	(90,252,267)	(85,992,556)	(384,022,643)
Allocation of retrocession premiums paid	(35,361,344)	(6,077,247)	(1,270,303)	(10,188,514)	1,297	(52,896,111)
Income on initial recognition of onerous underlying reinsurance contracts	16,574,407	2,863,462	208,724	598,461	--	20,245,054
Reversals of a loss-recovery component	(7,250,759)	(2,059,365)	(173,839)	(621,351)	--	(10,105,314)
Claims and other insurance service expenses recovered	84,371,960	28,116,970	752,320	(2,319,786)	5,597	110,927,061
Changes that relate to future service - changes in the FCF of retrocession contracts	(6,977,826)	(272,325)	8,559	1,192,039	--	(6,049,553)
Changes that relate to past service - adjustments to incurred claims	(60,956,488)	(1,921,366)	(659,181)	(7,270,894)	(77,132)	(70,885,061)
Total net expenses from retrocession contracts	(9,600,050)	20,650,129	(1,133,720)	(18,610,045)	(70,238)	(8,763,924)
REINSURANCE SERVICE RESULTS	47,703,009	(2,462,874)	6,286,791	25,030,412	24,614,612	101,171,950

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	For the nine-month period ended 30 September 2022 (Unaudited)				
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories
					Total
CSM recognised for services provided	91,291,446	27,577,384	9,723,769	54,726,975	18,320,358
Expected incurred claims and other expenses	168,113,679	42,945,944	12,735,579	112,456,385	68,029,479
Reinsurance acquisition cash flows recovery	4,366,901	754,074	295,720	1,307,918	870,180
Experience adjustments for premium receipts other than those that relate to future service	(91,362,422)	(14,369,739)	(3,420,129)	(33,391,328)	3,611,992
Total reinsurance revenue	172,409,604	56,907,663	19,334,939	135,099,950	90,832,009
Incurring claims and other directly attributable expenses	(260,965,456)	(43,906,684)	(11,846,822)	(135,712,947)	(65,773,550)
Changes that relate to past service - adjustments to the LIC	155,990,412	10,205,393	4,345,885	2,137,882	1,628,765
Losses on onerous contracts and reversal of those losses	(54,172,623)	(3,650,158)	(3,134,731)	(11,268,126)	(719,872)
Reinsurance acquisition cash flows amortisation	(4,366,901)	(754,074)	(295,720)	(1,307,918)	(870,180)
Total reinsurance service expenses	(163,514,568)	(38,105,523)	(10,931,388)	(146,151,109)	(65,734,837)
Allocation of retrocession premiums paid	(79,667,347)	(4,274,403)	(2,096,766)	(21,258,041)	(4,801)
Income on initial recognition of onerous underlying reinsurance contracts	21,677,665	218,356.85	138,291	119,313	--
Reversals of a loss-recovery component	(14,297,438)	(132,706)	(101,049)	(78,344)	--
Claims and other insurance service expenses recovered	92,959,747	2,976,852	457,959	2,368,807	10,064
Changes that relate to future service - changes in the FCF of retrocession contracts	(6,275,904)	24,770	8,346	159,613	--
Changes that relate to past service - adjustments to incurred claims	(5,054,018)	6,783,008	(50,140)	8,462,616	1,151,547
Total net expenses from retrocession contracts	9,342,705	5,595,878	(1,643,359)	(10,226,036)	1,156,810
REINSURANCE SERVICE RESULTS	18,237,741	24,398,018	6,760,192	(21,277,195)	26,253,982

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18. SEGMENTAL INFORMATION (CONTINUED)

18.2 Geographical segments (continued)

	As at 30 September 2023 (Unaudited)							
	Kingdom of Saudi Arabia	Other Middle Eastern Countries	Africa	Asia	Other territories	Unallocated	Shareholders	Total
ASSETS								
Cash and bank balances	--	--	--	--	--	28,032,077	19,476,719	47,508,796
Financial investments at fair value through income statement	76,888,036	--	--	--	--	--	18,443,583	95,331,619
Financial investments at fair value through other comprehensive income	--	--	--	--	--	--	120,413,387	120,413,387
Financial investments at amortized cost	528,239,714	--	--	--	--	--	580,431,316	1,108,671,030
Reinsurance contract assets	9,126,498	9,709,311	19,637,231	3,762,886	72,297,655	--	--	114,533,581
Retrocession contract assets	173,884,804	91,148,030	2,981,537	(6,084,597)	2,568,989	--	--	264,498,763
Prepaid expenses, deposits and other assets	--	--	--	--	--	309,799,226	106,637,908	416,437,134
Property and equipment, net	--	--	--	--	--	9,739,250	27,334,677	37,073,927
Investment in an equity accounted investee	--	--	--	--	--	--	201,164,310	201,164,310
Statutory deposit	--	--	--	--	--	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	--	--	--	--	--	21,487,710	21,487,710
TOTAL ASSETS	788,139,052	100,857,341	22,618,768	(2,321,711)	74,866,644	347,570,553	1,184,489,610	2,516,220,257
LIABILITIES								
Margin loan payable	--	--	--	--	--	--	57,095,294	57,095,294
Reinsurance contract liabilities	422,736,606	196,160,958	43,642,142	378,180,254	11,422,160	--	--	1,052,142,120
Accrued expenses and other liabilities	--	--	--	--	--	187,194,213	5,199,629	192,393,842
Provision for employees' end of service benefits	--	--	--	--	--	14,810,742	--	14,810,742
Provision for zakat and tax	--	--	--	--	--	--	23,686,404	23,686,404
Accrued commission income payable to SAMA	--	--	--	--	--	--	25,413,570	25,413,570
TOTAL LIABILITIES	422,736,606	196,160,958	43,642,142	378,180,254	11,422,160	202,004,955	111,394,897	1,365,541,972

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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 bank balances	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	--	--	--	--	--	--	119,524,549	119,524,549
Financial investments at amortized cost	488,815,506	--	--	--	--	--	541,318,209	1,030,133,715
Reinsurance contract assets	22,891,886	9,305,338	17,556,790	3,674,167	51,608,374	--	--	105,036,555
Retrocession contract assets	100,275,617	63,775,646	2,729,510	7,651,628	2,657,930	--	--	177,090,331
Prepaid expenses, deposits and other assets	--	--	--	--	--	167,228,450	38,670,536	205,898,986
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	707,153,822	73,080,984	20,286,300	16,641,159	139,182,011	167,228,450	1,120,562,261	2,244,134,987
LIABILITIES								
Margin loan payable	--	--	--	--	--	--	56,797,019	56,797,019
Reinsurance contract liabilities	367,906,880	149,264,222	33,936,091	361,036,408	7,848,186	--	--	919,991,787
Accrued expenses and other liabilities	--	--	--	--	--	171,710,830	4,702,154	176,412,984
Provision for 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	381,774,610	149,264,222	33,936,091	361,036,408	7,848,186	171,710,830	102,251,549	1,207,821,896

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19. SUPPLEMENTARY INFORMATION

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	30 September 2023 (Unaudited)			31 December 2022 (Unaudited)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
ASSETS						
Cash and bank balances	28,032,077	19,476,719	47,508,796	20,507,026	11,049,626	31,556,652
Financial investments at fair value through income statement	76,888,036	18,443,583	95,331,619	156,476,356	116,177,188	272,653,544
Financial investments at fair value through other comprehensive income	--	120,413,387	120,413,387	--	119,524,549	119,524,549
Financial investments at amortized cost	528,239,714	580,431,316	1,108,671,030	488,815,506	541,318,209	1,030,133,715
Reinsurance contract assets	114,533,581	--	114,533,581	105,036,555	--	105,036,555
Retrocession contract assets	264,498,763	--	264,498,763	177,090,331	--	177,090,331
Prepaid expenses, deposits and other assets	309,799,226	106,637,908	416,437,134	167,228,450	38,670,536	205,502,340
Property and equipment, net	9,739,250	27,334,677	37,073,927	8,418,502	27,960,707	36,379,209
Investment in an equity accounted investee	--	201,164,310	201,164,310	--	154,677,375	154,677,375
Statutory deposit	--	89,100,000	89,100,000	--	89,100,000	89,100,000
Accrued income on statutory deposit	--	21,487,710	21,487,710	--	22,084,071	22,084,071
Due from shareholders' operations*	--	56,435,135	56,435,135	--	3,044,150	3,044,150
TOTAL ASSETS	1,331,730,647	1,240,924,745	2,572,655,392	1,123,572,726	1,123,606,411	2,247,179,137
LIABILITIES						
Margin loan payable	--	57,095,294	57,095,294	--	56,797,019	56,797,019
Reinsurance contract liabilities	1,052,142,120	--	1,052,142,120	919,991,787	--	919,991,787
Accrued expenses and other liabilities	187,194,213	5,199,629	192,393,842	171,710,830	4,702,154	176,412,984
Provision for employees' end of service benefits	14,810,742	-	14,810,742	13,867,730	-	13,867,730
Provision for zakat and tax	--	23,686,404	23,686,404	--	17,533,163	17,533,163
Accrued commission income payable to SAMA	--	25,413,570	25,413,570	--	23,219,213	23,219,213
Accumulated surplus	25,099,112	--	25,099,112	18,908,904	--	18,908,904
Due to reinsurance operations*	56,435,135	--	56,435,135	3,044,150	--	3,044,150
TOTAL LIABILITIES	1,335,681,322	111,394,897	1,447,076,219	1,127,523,401	102,251,549	1,229,774,950
EQUITY						
Share capital	--	891,000,000	891,000,000	--	891,000,000	891,000,000
Statutory reserve	--	43,045,308	43,045,308	--	43,045,308	43,045,308
Retained earnings	--	200,269,997	200,269,997	--	95,035,415	95,035,415
Other reserves	(3,950,675)	(4,785,457)	(8,736,132)	(3,950,675)	(7,725,861)	(11,676,536)
TOTAL EQUITY	(3,950,675)	1,129,529,848	1,125,579,173	(3,950,675)	1,021,354,862	1,017,404,187
TOTAL LIABILITIES AND EQUITY	1,331,730,647	1,240,924,745	2,572,655,392	1,123,572,726	1,123,606,411	2,247,179,137

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

19. SUPPLEMENTARY INFORMATION (CONTINUED)

CONDENSED INTERIM STATEMENT OF INCOME

	For the three-month period ended 30 September 2023 (Unaudited)			For the three-month period ended 30 September 2022 (Unaudited)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Reinsurance revenue	207,330,660	--	207,330,660	172,109,846	--	172,109,846
Reinsurance service expenses	(210,479,738)	--	(210,479,738)	(145,544,829)	--	(145,544,829)
Net expenses from retrocession contracts	31,732,242	--	31,732,242	13,202,793	--	13,202,793
Insurance service result	28,583,164	--	28,583,164	39,767,810	--	39,767,810
Investment income from financial investments not measured at FVSI	5,546,849	10,546,016	16,092,865	4,707,541	7,297,175	12,004,716
Net income / (loss) from financial investments measured at FVSI	549,571	(174,770)	374,801	(2,895,764)	(1,206,454)	(4,102,218)
Investment management expenses	(630,435)	(73,509)	(703,944)	(514,109)	(588,498)	(1,102,607)
Net credit impairment losses	115,779	(532,093)	(416,314)	(5,580)	(2,599,708)	(2,605,288)
Net investment income	5,581,764	9,765,644	15,347,408	1,292,088	2,902,515	4,194,603
Finance income from reinsurance contracts issued	(6,265,272)	--	(6,265,272)	(2,621,878)	--	(2,621,878)
Finance expenses from retrocession contracts held	(2,137,999)	--	(2,137,999)	1,276,342	--	1,276,342
Net financial result	(2,821,507)	9,765,644	6,944,137	(53,448)	2,902,515	2,849,067
NET REINSURANCE AND INVESTMENT RESULT	25,761,657	9,765,644	35,527,301	39,714,362	2,902,515	42,616,877
Other income	1,256,920	882,544	2,139,464	13,808	22,292	36,100
Other finance costs	--	(298,275)	(298,275)	--	(399,067)	(399,067)
Other operating expenses	(6,181,835)	(3,346,038)	(9,527,873)	(5,814,674)	(955,421)	(6,770,095)
Share of profit of equity accounted investee	--	13,819,019	13,819,019	--	10,640,458	10,640,458
Total income for the period before zakat and tax	20,836,742	20,822,894	41,659,636	33,913,496	12,210,777	46,124,273
Total income attributed to the reinsurance operations	(18,753,068)	18,753,068	--	(31,246,327)	31,246,327	--
Net income for the year before zakat and tax attributable to the shareholders	2,083,674	39,575,962	41,659,636	2,667,169	43,457,104	46,124,273
Zakat for the period	--	(5,482,307)	(5,482,307)	--	(3,591,819)	(3,591,819)
Tax charge for the period	--	(19,523)	(19,523)	--	(17,011)	(17,011)
Net income for the period after zakat and tax attributable to the shareholders	2,083,674	34,074,132	36,157,806	2,667,169	39,848,274	42,515,443

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

19. SUPPLEMENTARY INFORMATION (CONTINUED)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the three-month period ended 30 September 2023 (Unaudited)			For the three-month period ended 30 September 2022 (Unaudited)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Net income for the period after zakat and tax	2,083,674	34,074,132	36,157,806	2,667,169	39,848,274	42,515,443
<i>Other comprehensive income</i>						
<i>Items that will not be reclassified to income statements subsequently</i>						
Equity investments at FVOCI – net change in fair value	--	832,389	832,389	--	(3,345,125)	(3,345,125)
<i>Items that may be classified to income statement subsequently</i>						
Share of foreign currency translation reserve an equity accounted investee	--	(3,581,821)	(3,581,821)	--	(6,167,067)	(6,167,067)
Total comprehensive income for the period	2,083,674	31,324,700	33,408,374	2,667,169	30,336,082	33,003,251
Reconciliation:						
Less: Net income attributable to reinsurance operations transferred to accumulated surplus			(2,083,674)			(2,667,169)
Total comprehensive income for the period			31,324,700			30,336,082

Saudi Reinsurance Company (A Saudi Joint Stock Company)

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For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

19. SUPPLEMENTARY INFORMATION (CONTINUED)

CONDENSED INTERIM STATEMENT OF INCOME

	For the nine-month period ended 30 September 2023 (Unaudited)			For the nine-month period ended 30 September 2022 (Unaudited)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Reinsurance revenue	493,958,517	--	493,958,517	474,584,165	--	474,584,165
Reinsurance service expenses	(384,022,643)	--	(384,022,643)	(424,437,425)	--	(424,437,425)
Net expenses from retrocession contracts	(8,763,924)	--	(8,763,924)	4,225,998	--	4,225,998
Insurance service result	101,171,950	--	101,171,950	54,372,738	--	54,372,738
Investment income from financial investments not measured at FVSI	13,912,751	27,225,747	41,138,498	7,468,604	17,270,482	24,739,086
Net income / (loss) from financial investments measured at FVSI	2,139,327	700,755	2,840,082	(10,565,554)	(11,639,109)	(22,204,663)
Investment management expenses	(1,858,633)	(522,477)	(2,381,110)	(347,497)	(2,628,910)	(2,976,407)
Net credit impairment losses	-	(1,749,908)	(1,749,908)	123,077	(2,430,321)	(2,307,244)
Net investment income	14,193,445	25,654,117	39,847,562	(3,321,370)	572,142	(2,749,228)
Finance income from reinsurance contracts issued	(63,335,589)	--	(63,335,589)	12,888,728	--	12,888,728
Finance expenses from retrocession contracts held	28,252,575	--	28,252,575	767,609	--	767,609
Net financial result	(20,889,569)	25,654,117	4,764,548	10,334,967	572,142	10,907,109
NET REINSURANCE AND INVESTMENT RESULT	80,282,381	25,654,117	105,936,498	64,707,705	572,142	65,279,847
Other income	2,325,292	1,707,079	4,032,371	417,841	19,645	437,486
Other finance costs	--	(1,090,494)	(1,090,494)	--	(808,296)	(808,296)
Other operating expenses	(20,705,592)	(4,912,705)	(25,618,297)	(8,619,865)	(5,620,867)	(14,240,732)
Share of profit of equity accounted investee	--	44,435,369	44,435,369	--	32,279,237	32,279,237
Total income for the period before zakat and tax	61,902,081	65,793,366	127,695,447	56,505,681	26,441,861	82,947,542
Total income attributed to the reinsurance operations	(55,711,873)	55,711,873	--	(51,904,276)	51,904,276	--
Net income for the year before zakat and tax attributable to the shareholders	6,190,208	121,505,239	127,695,447	4,601,405	78,346,137	82,947,542
Zakat for the period	--	(16,222,596)	(16,222,596)	--	(10,359,808)	(10,359,808)
Tax charge for the period	--	(48,061)	(48,061)	--	(20,311)	(20,311)
Net income for the period after zakat and tax attributable to the shareholders	6,190,208	105,234,582	111,424,790	4,601,405	67,966,018	72,567,423

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

19. SUPPLEMENTARY INFORMATION (CONTINUED)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the nine-month period ended 30 September 2023 (Unaudited)			For the nine-month period ended 30 September 2022 (Unaudited)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
Net income for the period after zakat and tax	6,190,208	105,234,582	111,424,790	4,601,405	67,966,018	72,567,423
<i>Other comprehensive income</i>						
<i>Items that will not be reclassified to income statements subsequently</i>						
Equity investments at FVOCI – net change in fair value	--	888,838	888,838	--	(8,284,967)	(8,284,967)
<i>Items that may be classified to income statement subsequently</i>						
Share of foreign currency translation reserve an equity accounted investee	--	2,051,566	2,051,566	--	(12,504,660)	(12,504,660)
Total comprehensive income for the period	6,190,208	108,174,986	114,365,194	4,601,405	47,176,391	51,777,796
Reconciliation:						
Less: Net income attributable to reinsurance operations transferred to accumulated surplus			(6,190,208)			(4,601,405)
Total comprehensive income for the period			108,174,986			47,176,391

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

19. SUPPLEMENTARY INFORMATION (CONTINUED)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	For the nine-month period ended 30 September 2023 (Unaudited)			For the nine-month period ended 30 September 2022 (Unaudited)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
OPERATING ACTIVITIES						
Total income for the period before zakat and tax	6,190,208	121,505,239	127,695,447	4,601,405	78,346,137	82,947,542
<i>Adjustments to reconcile net income for the period to net cash from operating activities:</i>						
Provision for employees' end of service benefits	1,510,418	--	1,510,418	1,311,389	--	1,311,389
Special commission income from bonds and sukuk	(457,792)	(11,783,768)	(12,241,560)	(1,998,553)	(10,533,094)	(12,531,647)
Special commission in time deposits	(13,454,960)	(13,895,932)	(27,350,892)	(5,470,051)	(4,707,439)	(10,177,490)
Special commission expense from margin loans	--	1,090,494	1,090,494	--	808,296	808,296
Amortisation of discount and premium on held to maturity investments	--	(1,546,046)	(1,546,046)	--	(2,029,949)	(2,029,949)
Depreciation of property and equipment	1,201,957	626,030	1,827,987	1,497,261	722,283	2,219,544
Realized (gains) / losses on investments held at fair value through income statement	(2,688,983)	3,791,398	1,102,415	(1,509,696)	(3,496,834)	(5,006,530)
Unrealized losses / (gains) on investments held at fair value through income statement	549,655	(3,983,979)	(3,434,324)	12,075,250	16,960,834	29,036,084
Share of profit of an equity accounted investee	--	(44,435,369)	(44,435,369)	--	(32,279,237)	(32,279,237)
Expected credit losses	--	1,749,908	1,749,908	(123,077)	2,430,321	2,307,244
Operating income before changes in operating assets and liabilities	(7,149,497)	53,117,975	45,968,478	10,383,928	46,221,318	56,605,246
Changes in operating assets and liabilities:						
Reinsurance contract assets	(9,497,026)	--	(9,497,026)	2,356,378	--	2,356,378
Reinsurance contract liabilities	132,150,333	--	132,150,333	29,645,478	--	29,645,478
Retrocession contract assets	(87,408,432)	--	(87,408,432)	18,560,651	--	18,560,651
Prepaid expenses, deposits and other assets	(142,570,776)	(67,967,372)	(210,538,148)	112,476,182	184,812	112,660,994
Accrued expenses and other liabilities	15,483,383	497,475	15,980,858	(97,131,589)	(933,140)	(98,064,729)
Cash generated from operating activities	(98,992,015)	(14,351,922)	(113,343,937)	76,291,028	45,472,990	121,764,018
Zakat and tax paid	--	(10,117,416)	(10,117,416)	--	(12,998,578)	(12,998,578)
Employees' end of service benefits paid	(567,406)	--	(567,406)	(282,778)	--	(282,778)
Net cash generated from operating activities	(99,559,421)	(24,469,338)	(124,028,759)	76,008,250	32,474,412	108,482,662

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

19. SUPPLEMENTARY INFORMATION (CONTINUED)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

	For the nine-month period ended 30 September 2023 (Unaudited)			For the nine-month period ended 30 September 2022 (Unaudited)		
	Reinsurance operations	Shareholders' operations	Total	Reinsurance operations	Shareholders' operations	Total
INVESTING ACTIVITIES						
Placements in time deposits	(35,825,510)	(130,093,292)	(165,918,802)	(366,745,228)	(142,024,083)	(508,769,311)
Proceeds from maturity of time deposits	--	53,442,084	53,442,084	--	30,810,000	30,810,000
Receipt of special commission income on time deposits	10,010,044	16,619,052	26,629,096	4,217,843	3,912,829	8,130,672
Receipt of special commission income from bonds and sukuk	304,010	13,394,887	13,698,897	1,846,658	11,972,455	13,819,113
Purchase of property and equipment, net	(2,522,705)	--	(2,522,705)	(3,225,122)	(119,643)	(3,344,765)
Additions to financial investments held at amortized cost	--	--	--	--	(63,734,452)	(63,734,452)
Proceeds from maturity of financial investments held at amortized cost	--	33,000,000	33,000,000	--	24,000,000	24,000,000
Additions to financial investments at fair value through income statement	(106,699,202)	(48,878,319)	(155,577,521)	(32,297,495)	(131,963,852)	(164,261,347)
Proceeds from disposal of financial investments at fair value through income statement	188,426,850	146,804,505	335,231,355	303,134,688	291,094,440	594,229,128
Additions to financial investments at fair value through other comprehensive income	--	--	--	--	(21,296,452)	(21,296,452)
Net cash generated from / (used in) investing activities	53,693,487	84,288,917	137,982,404	(93,068,656)	2,651,242	(90,417,414)
FINANCING ACTIVITIES						
Due to / from reinsurance / shareholders' operations*	53,390,985	(53,390,985)	--	21,780,167	(21,780,167)	--
Special commission expense paid against margin loan	--	(792,219)	(792,219)	--	(808,296)	(808,296)
Net cash generated from financing activities	53,390,985	(54,183,204)	(792,219)	21,780,167	(22,588,463)	(808,296)
INCREASE IN CASH AND CASH EQUIVALENTS	7,525,051	5,636,375	13,161,426	4,719,761	12,537,191	17,256,952
Cash and cash equivalents at the beginning of the period	20,507,026	9,914,484	30,421,510	21,868,099	5,939,195	27,807,294
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	28,032,077	15,550,859	43,582,936	26,587,860	18,476,386	45,064,246

* These items are not included in the statement of financial position and the statement of cash flows.

Saudi Reinsurance Company (A Saudi Joint Stock Company)**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****For the three-month and nine-month periods ended 30 September 2023****(All amounts in Saudi Riyals unless otherwise stated)****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 September 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. SUBSEQUENT EVENT

On 7th October 2023 (corresponding to 22/03/1445H) the Company executed a non-binding Memorandum of Understanding (MoU) with the Public Investment Fund (PIF) pursuant to which PIF intends to subscribe to new cash shares in the Company by way of capital increase (the "Proposed transaction"). The implementation of the Proposed Transaction is subject to Company and PIF entering into the Subscription Agreement. The terms and conditions of the Subscription Agreement will include obtaining all the required regulatory approvals, including the approvals of the Capital Market Authority and SAMA, and the approval of Company's extraordinary general assembly.

23. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been approved by the Board of Directors on 20 Rabi Al-Thani 1445H corresponding to 4 November 2023.