AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

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

Financial statements and independent auditors' report for the year ended 31 December 2023

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

MOORE
El Sayed El Ayouty & Co.
Certified Public Accountants
An Independent Member Firm of Moore Global

Independent Auditors' Report on the Audit of the Financial Statements

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report on the Audit of the Financial Statements

To the Shareholders of Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company) (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of Insurance Contract assets and Liabilities, and Reinsurance Contract Assets and Liabilities
We focused on this area because:
➢ Insurance contract assets/liabilities and reinsurance contract assets/liabilities as at 31 December 2023 involve:

- complex accounting requirements, including the inputs, assumptions estimate techniques used for contract assets and liabilities and measuring components of insurance contract assets and liabilities that include:
• The estimate of future cash flows within the asset and liability for remaining coverage and asset and liability for incurred claims.
• Discounting applied to the estimates of future cash flows to reflect the time value of money and financial risk
• Estimation of the non-financial risk adjustment.
• Contractual service margin (CSM), loss component, and loss recovery component
• Asset and liability for remaining coverage for contracts measured under PAA.

- Susceptibility to management bias and estimation uncertainty when making judgements to determine insurance contract liabilities; and

- Complex disclosure requirements.</td><td>We performed the following procedures:

• Understand, evaluated and tested key controls around the claims and premium administration and valuation of technical insurance reserves;
• Engaged our actuarial specialists to assess the methodology and reasonableness of the key assumptions and judgments used by the management in determining the technical insurance reserves;
• Evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assess their independence;
• Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation;
• Tested and reconciled key data inputs into the IFRS 17 engine with primary insurance data and reconciled IFRS 17 engine output numbers to the financial statements and actuarial reports;
• Inspected the reconciliation between investments held to cover unit-linked liabilities and the unit reserves; and
• Assessed the adequacy and appropriateness of disclosures made in the financial statements.</td></tr>
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Independent Auditors' Report on the Audit of the Financial Statements

To the Shareholders of Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company) (Continued)

Adoption of IFRS 17 During the year, the Company has adopted IFRS 17 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 17), which replaces IFRS 4 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 4) and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The Company has applied the full retrospective approach to each group of insurance contracts, except for 'protection and savings' portfolio to which modified retrospective approach was applied. The adoption of IFRS 17 resulted in a transition adjustment to the Company's equity as at 1 January 2022 amounting to SAR 56.46 million. IFRS 17 introduced new nomenclature for significant insurance-related balances as well as new measurement principles for insurance-related liabilities and insurance revenue recognition.	We performed the following procedures: • Obtained an understanding of the Company's implementation process for determining the impact of adoption of the standard, including understanding of the changes to the Company's accounting policies, systems, processes and controls. • Evaluated and assessed management's process to identify insurance contracts, to determine the appropriate grouping for such contracts and to determine whether the use of the premium allocation approach (PAA)/ under IFRS 17 was appropriate. • Evaluated whether management's allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses. • Evaluated the risk adjustment for non financial risk under IFRS 17 and tested, on a sample basis, the underlying data supporting the adjustment. • Assessed the adequacy of the transition adjustments impact for IFRS 17 on the opening retained earnings as at 1 January 2022.

Independent Auditors' Report on the Audit of the Financial Statements

To the Shareholders of Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company) (Continued)

Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Company along with significant changes to presentation and disclosures that were required in the financial statements for the year ended 31 December 2023, we have considered this as a key audit matter. *Refer to note 2.5 for critical accounting judgements, estimates and assumptions adopted by the Company. The impact of transition is explained in note 4 to the financial statements.*	• Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17 made in the financial statements. • Assessed the Company's methods, assumptions and accounting policies adopted under IFRS 17, with the assistance of our actuarial and accounting specialists and experts.

Other information

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information. The Company's annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

Independent Auditors' Report on the Audit of the Financial Statements

To the Shareholders of Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company) (Continued)

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Independent Auditors' Report on the Audit of the Financial Statements

To the Shareholders of Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company) (Continued)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

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

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

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

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

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

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

Independent Auditors' Report on the Audit of the Financial Statements

To the Shareholders of Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company) (Continued)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

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

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For El Sayed El Ayouty & Co.
P. O. Box 780
Jeddah 21421
Kingdom of Saudi Arabia

A. Balamesh

Abdullah Ahmed Balamesh
Certified Public Accountant
Registration No. 345

Date: 06 March 2024
Corresponding to: 25 Shaban 1445H

Statement of financial position
As at 31 December 2023

	Note	31 December 2023	31 December 2022 Restated	1 January 2022 Restated
			SAR '000	
Assets				
Cash and cash equivalents	5	**945,103**	620,410	500,070
Investments measured at fair value through profit or loss	6	**527,708**	503,167	486,068
Investments measured at fair value through other comprehensive income	6	**459,212**	429,926	435,284
Investments measured at amortized cost	6	**2,500,795**	1,927,755	1,749,465
Investment for unit linked contracts	6	**1,163,230**	268,506	214,184
Insurance contract assets	7	**174,242**	316	30,194
Retakaful / reinsurance contract assets	7	**646,124**	352,983	431,371
Prepayments and other assets	8	**150,594**	53,702	43,591
Statutory deposit	9	**99,974**	39,971	39,971
Accrued income on statutory deposit		**6,463**	5,026	3,626
Right-of-use assets	10	**40,665**	48,371	55,733
Property and equipment, net	11	**110,077**	81,041	83,216
Total assets		**6,824,187**	4,331,174	4,072,773
Liabilities				
Payable, accruals and other liabilities	12	**117,798**	73,371	82,248
Insurance contract liabilities	7	**4,649,126**	2,793,420	2,399,698
Retakaful / reinsurance contract liabilities	7	**196,355**	5,329	125,157
Provision for employees' end-of-service benefits	13	**29,543**	22,812	24,635
Provision for zakat	14	**55,924**	49,925	51,341
Payables to Insurance Authority		**11,173**	9,735	8,336
Lease liabilities	15	**41,482**	49,222	54,482
Total liabilities		**5,101,401**	3,003,814	2,745,897
Equity				
Share capital	16	**1,000,000**	400,000	400,000
Statutory reserve	17	**283,017**	196,109	178,186
Retained earnings		**347,632**	706,479	652,011
Remeasurement reserve for EOSB		**(5,912)**	(5,423)	(7,327)
Fair value reserve for FVOCI investments		**98,049**	30,195	104,006
Total equity		**1,722,786**	1,327,360	1,326,876
Total liabilities and equity		**6,824,187**	4,331,174	4,072,773
Commitments and contingencies	18	**39,956**	61,318	40,190

Nabeel Ali Shoaib
Member-Board

Saud Ghonem Bin Ghonem
Chief Executive Officer

Muhammad Imran Bashir
Chief Financial Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

Statement of income
For the year ended 31 December 2023

	Note	31 December 2023	31 December 2022 Restated
		SAR '000	
Insurance revenue	19.1	**4,236,470**	2,934,503
Insurance service expenses	19.2	**(3,539,967)**	(2,491,494)
Insurance service result before retakaful / reinsurance contracts held		**696,503**	443,009
Allocation of retakaful / reinsurance contributions	19.3	**(826,985)**	(464,378)
Amounts recoverable from retakaful / reinsurance for incurred claims	19.3	**449,232**	80,184
Net expense from retakaful / reinsurance contracts held		**(377,753)**	(384,194)
Insurance service result		**318,750**	58,815
Income on financial assets at fair value	20	**25,495**	41,647
Income on financial assets at amortised cost and short-term deposits	20	**129,749**	48,663
Fair value gain of unit-linked investments		**114,009**	(12,481)
Net credit impairment losses on financial assets		**(391)**	(242)
Net investment income		**268,862**	77,587
Finance (expense) / income from insurance contracts issued	21.1	**(174,785)**	25,359
Finance income from retakaful / reinsurance contracts held	21.2	**28,562**	6,655
Net insurance finance (expenses) / income		**(146,223)**	**32,014**
Net insurance and investment result		**441,389**	168,416
Other operating expenses	22	**(103,975)**	(98,501)
Other income		**90**	12,726
Net income attributable to the shareholders before zakat		**337,504**	82,641
Provision for zakat	14	**(9,443)**	(10,250)
Net income attributable to the shareholders after zakat		**328,061**	72,391
Earnings per share			
Basic and diluted earning per share	23	**3.28**	0.72

Nabeel Ali Shoaib	**Saud Ghonem Bin Ghonem**	**Muhammad Imran Bashir**
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company)

Statement of comprehensive income
For the year ended 31 December 2023

	Note	**31 December 2023**	31 December 2022 Restated
		SAR '000	
Net income attributable to the shareholders after zakat		**328,061**	72,391
Other comprehensive income:			
Items that will not be reclassified to statement of income in subsequent periods			
Net changes in fair value of investments measured at FVOCI – equity instruments	6.2	**67,854**	(73,811)
Re-measurement (loss) / gain on employees' end-of-service benefits	13.1	**(489)**	1,904
		67,365	(71,907)
Total comprehensive income for the period		**395,426**	484

Nabeel Ali Shoaib	**Saud Ghonem Bin Ghonem**	**Muhammad Imran Bashir**
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

Al Rajhi Company for Cooperative Insurance
(A Saudi Joint Stock Company)

Statement of changes in equity
For the year ended 31 December 2023

	Share capital	Statutory reserve	Retained earnings	Fair value reserve for FVOCI investments	Remeasurement reserve for EOSB	Total
			SAR '000			
Restated balance as at 1 January 2023	**400,000**	**196,109**	**706,479**	**30,195**	**(5,423)**	**1,327,360**
Bonus shares	**600,000**	-	**(600,000)**	-	-	-
Total comprehensive income:						
Net income for the period after zakat	-	-	**328,061**	-	-	**328,061**
Net changes in fair value of investments measured at FVOCI – equity instruments	-	-	-	**67,854**	-	**67,854**
Re-measurement gain / (loss) on employees' end-of-service benefits	-	-	-	-	**(489)**	**(489)**
Total comprehensive income for the period	-	-	**328,061**	**67,854**	**(489)**	**395,426**
Transfer to statutory reserve	-	**86,908**	**(86,908)**	-	-	-
Balance as at 31 December 2023	**1,000,000**	**283,017**	**347,632**	**98,049**	**(5,912)**	**1,722,786**
Balance as at 31 December 2021 *(audited)*	400,000	178,186	595,551	104,006	(7,327)	1,270,416
Adjustment on initial application of IFRS 17	-	-	56,460	-	-	56,460
Restated balance as at 1 January 2022	400,000	178,186	652,011	104,006	(7,327)	1,326,876
Total comprehensive income:						
Net income for the period after zakat	-	-	72,391	-	-	72,391
Net changes in fair value of investments measured at FVOCI – equity instruments	-	-	-	(73,811)	-	(73,811)
Re-measurement gain / (loss) on employees' end-of-service benefits	-	-	-	-	1,904	1,904
Total comprehensive income for the period	-	-	72,391	(73,811)	1,904	484
Transfer to statutory reserve	-	17,923	(17,923)	-	-	-
Restated balance as at 31 December 2022	400,000	196,109	706,479	30,195	(5,423)	1,327,360

Nabeel Ali Shoaib	**Saud Ghonem Bin Ghonem**	**Muhammad Imran Bashir**
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2023

	Note	31 December 2023	31 December 2022 Restated
		SAR '000	
Net income for the period before zakat		337,504	82,641
Adjustments for non-cash items:			
Depreciation of property and equipment	11	31,067	23,906
Depreciation of right-of-use assets	10	7,009	8,403
Write-off of property and equipment		-	7,146
Write-off of right-to-use assets		1,143	3,062
Unrealized (gain) / loss of unit-linked investments		(114,009)	12,481
Unrealized loss / (gain) on investments mandatorily measured at FVTPL	20	19,952	(315)
Impairment loss on financial assets		391	242
Finance cost		2,379	2,639
Provision for end-of-service benefits (EOSB)		9,064	4,673
		294,500	144,878
Changes in operating assets and liabilities:			
Insurance contract assets		(173,926)	29,878
Retakaful / reinsurance contract assets		(293,141)	78,388
Prepayments and other assets		(96,892)	(10,111)
Accrued income on statutory deposit		(1,437)	(1,400)
Payable, accruals and other liabilities		44,427	(8,877)
Insurance contract liabilities		1,855,706	393,722
Retakaful / reinsurance contract liabilities		191,026	(119,828)
Deposit against guarantees		21,362	(21,128)
Payables to Insurance Authority		1,438	1,399
		1,843,063	486,921
Zakat paid	14	(3,444)	(11,666)
End-of-service benefits paid (EOSB)	13	(2,822)	(4,592)
Net cash from operating activities		1,836,797	470,663
Cash flows from investing activities			
Purchase of investments measured at FVTPL		(1,348,148)	(1,854,207)
Disposals of investments measured at FVTPL		1,303,655	1,837,423
Purchase of investments designated as FVOCI		(30,000)	(68,453)
Disposal of investments designated as FVOCI		68,568	-
Purchase of investments held at amortised cost		(1,734,063)	(2,293,444)
Disposal of investments held at amortised cost		1,160,867	2,115,038
Purchase of investments for unit linked contracts		(780,715)	(66,803)
Increase in statutory deposit		(60,000)	-
Purchase of property and equipment		(60,103)	(28,877)
Purchase of right-of-use assets		(446)	(4,103)
Net cash (used in) / from investing activities		(1,480,385)	(363,426)
Cash flows from financing activities			
Lease liability paid	15	(10,119)	(7,899)
Net cash used in financing activities		(10,119)	(7,899)
Net change in cash and cash equivalents		346,293	99,338
Cash and cash equivalents at the beginning of the period	5	554,509	455,171
Cash and cash equivalents at the end of the period		900,802	554,509

Nabeel Ali Shoaib	**Saud Ghonem Bin Ghonem**	**Muhammad Imran Bashir**
Member-Board	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2023

1. General

Al Rajhi Company for Cooperative Insurance (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. (M/35) dated 27 Jumada al thani 1429, (1 January 2008). The Company operates under Commercial Registration no. 1010270371 dated 5 Rajab 1430, corresponding to 28 June 2009. The registered address of the Company's head office is as follows:

Al Rajhi Company for Cooperative Insurance
P.O. Box 67791
Riyadh 11517
Kingdom of Saudi Arabia

The purpose of the Company is to conduct takaful operations and all related activities including retakaful / reinsurance and agency activities. Its principal lines of business include motor, medical, protection & savings, marine, fire, engineering and casualty insurance.

On 2 Jumada al thani 1424, corresponding to 31 July 2003, Insurance Authority then known as SAMA, as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On 1 Rabi' al-awwal 1425, corresponding to 20 April 2004, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32).

As a commitment from the Company for its activities to be in compliance with Islamic Shari'a legislations, since its inception, the Company has established a Shari'a Authority to review and approve the activities and the products of the Company.

2. Basis of preparation

2.1 Statement of compliance

These financial statements of the Company for the year ended 31 December 2023, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and in compliance with Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Company.

This is the first set of the Company's financial statements in which IFRS 17 "Insurance Contracts", as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant accounting policies are described in Note 3.

The Company's statement of financial position is presented in order of liquidity but not using current / non-current classification. However, except for property and equipment, intangible assets, statutory deposit, accrued income on statutory deposit, some components of investments (measured at amortized cost, investments measured at FVOCI, long-term deposits), right of use assets, lease liabilities, end-of-service benefits and accrued income payable to Insurance Authority, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity is recorded in the respective accounts. The basis of the allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

2. Basis of preparation *(continued)*

2.1 Statement of compliance *(continued)*

The statement of financial position, statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in Note 32 of the financial statements have been provided as supplementary financial information to comply with the requirements of the Insurance Implementing Regulations and is not required under IFRSs. The implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for the measurement of investments carried at fair value through profit or loss (FVTPL) and investments carried at fair value through other comprehensive income (FVOCI), employees' end of service benefits (EOSB) recorded at the present value using the projected unit credit method and liability of incurred claims (LIC) and assets for incurred claims (AIC) recorded at the present value at the current discount rates.

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

2.3 Functional & presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. Amounts in these financial statements are rounded-off to the nearest thousands except where otherwise mentioned.

2.4 Seasonality of operations

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

2.5 Critical accounting judgments, estimates and assumptions

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

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

2. Basis of preparation *(continued)*

2.5 Critical accounting judgments, estimates and assumptions *(continued)*

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

i) PAA eligibility assessment

The Company has applied the Premium Allocation Approach (PAA) only for contracts with a coverage period of 12 months or less. As this policy applies uniformly to all contracts based on their length, assessments to identify material differences between the model outcomes, for contracts where the coverage period was more than one year, have been deemed unnecessary.

ii) Liability for remaining coverage (LRC)

Acquisition cash flows

For insurance acquisition cash flows, the Company is eligible whether to recognise insurance acquisition cash flows as an expense when it incurs those costs or to include those cash flows within the liability for remaining coverage (and hence amortise those cash flows over the coverage period).

The Company has opted to recognise an asset for insurance acquisition cash flows paid and amortise those cash flows over the coverage period.

Significant financing component

The Company has determined that there is no significant financing component in contracts with a coverage period of one year or less and hence, the Company does not discount the LRC to reflect the time value of money and financial risk for such insurance and reinsurance contracts. The Company has adjusted the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates, for contracts with a coverage period longer than one year.

Expected premium receipts adjustment

Insurance revenue will be adjusted with the amounts of expected premium receipts adjustment calculated on premiums not yet collected as of the date of the statement of financial position. The computation is performed using IFRS 9 simplified approach to calculate Expected Credit Loss (ECL) allowance. The corresponding impact of this adjustment is recorded in the LRC.

iii) Liability for incurred claims

Liability for incurred claims: The ultimate cost of incurred claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods. The main assumption underlying these techniques is that a Company’s past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

2. Basis of preparation *(continued)*

2.5 Critical accounting judgments, estimates and assumptions *(continued)*

iii) Liability for incurred claims *(continued)*

Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate ultimate cost of claims. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs. These are projected using a combination of chain ladder technique and as a proportion of the corresponding claims.

iv) Onerosity determination

For contracts measured under GMM and VFA, a group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is then amortized to statement of income over the coverage period to offset incurred claims in insurance service expense.

For contracts measured under PAA, the Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

The Company also considers facts and circumstances to identify whether a group of contracts are onerous based on the following key inputs:

- Pricing information: Underwriting combined ratios and price adequacy ratios. This input is most relevant for the Medical, Motor and P&C insurance portfolio;
- Historical combined ratio of similar and comparable sets of contracts for Medical, Motor and P&C portfolios in particular;
- Any relevant inputs from underwriters;
- Other external factors such as inflation and change in market claims experience or change in regulations; and
- For subsequent measurement, the Company also relies on the same group of contracts’ weighted actual emerging experience.

Based on above assessment, certain Group of contracts have been identified as onerous under Medical portfolios.

v) Expense attribution

The Company identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling /maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to such contracts (non-attributable expenses). Acquisition costs, such as underwriting costs, are no longer recognized in the statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. The Company has determined costs directly identified to the groups of contracts, as well as costs where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses and overheads are recognized in the statement of income immediately when incurred.

2. Basis of preparation *(continued)*

2.5 Critical accounting judgments, estimates and assumptions *(continued)*

vi) Estimates of future cash flows

The Company primarily uses deterministic projections to estimate the present value of future cash flows and for some groups it uses stochastic modelling techniques. A stochastic model is a tool for estimating probability distributions of potential outcomes by allowing for random variation in one or more inputs over time. The random variation is usually based on fluctuations observed in historical data for a selected period using standard time-series techniques.

The following assumptions were used when estimating future cash flows:

- **Mortality and morbidity rates**

  Assumptions are based on AM 80 for Individual Life business and reinsurance rates for group life business. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender. An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

- **Expenses**

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

  An increase in the expected level of expenses will reduce future expected profits of the Company. The cash flows within the contract boundary include an allocation of fixed and variable overheads 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).

- **Lapse and surrender rates**

  Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits of the Company, but later increases are broadly neutral in effect.

The assumptions that have the greatest effect on the expected cash flows are listed below. The table sets out the percentage assumed to apply to industry mortality and morbidity tables in estimating fulfilment cash flows:

Portfolio assumptions by type of business impacting net liabilities	**Mortality and morbidity rates**	
	2023	**2022**
Life insurance contracts issued		
- Males	**100.00%**	100.00%
- Females	**100.00%**	100.00%

2. Basis of preparation *(continued)*

2.5 Critical accounting judgments, estimates and assumptions *(continued)*

vi) Estimates of future cash flows *(continued)*

	Lapse and surrender rates	
	2023	**2022**
Life insurance contracts issued		
- Males	**100.00%**	100.00%
- Females	**100.00%**	100.00%

vii) Discount rates

A bottom-up approach was applied in the determination of the discount rates for different products. Under this approach, the discount rate, in the absence of a KSA specific yield curve for the region, the EIOPA USD risk free rates, adjusted with the Country Risk Rate for Saudi Arabia are used. This is consistent with the approach taken in the market. The country default spread is calculated using Moody's local currency sovereign rating (or S&P equivalent). This is then adjusted for the additional volatility of the equity market. To achieve this, the country default spread is multiplied with the relative equity market volatility for the Kingdom of Saudi Arabia (calculated by dividing the standard deviation in country equity market by the standard deviation in country bond). This is the Country Risk Premium which is added to the EIOPA risk free rates.

The additional volatility of the equity market mentioned above is used as a proxy for the illiquidity premium. Therefore, no additional illiquidity premium is explicitly added on top of the country risk premium. The country risk premiums is periodically updated, and the latest published figures are used.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

	Insurance contracts issued		Reinsurance contracts held	
	Life	**Non-life**	**Life**	**Non-life**
1 year	6.26%	6.26%	6.26%	6.26%
5 years	5.00%	5.00%	5.00%	5.00%
10 years	4.95%	4.95%	4.95%	4.95%
20 years	4.96%	4.96%	4.96%	4.96%
30 years	4.73%	4.73%	4.73%	4.73%

vii) Risk adjustment for non-financial risk

Risk adjustment reflects the compensation that is required for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Mack and Bootstrap methods, being stochastic methods were preferred over Solvency II factors where ever possible. The large volume of data that was available that allowed fitting a lognormal distribution on reserve estimates using paid triangles. Therefore, for all lines except for Life portfolio, Mack method provided reasonable results and was adopted.

2. Basis of preparation *(continued)*

2.5 Critical accounting judgments, estimates and assumptions *(continued)*

vii) Risk adjustment for non-financial risk *(continued)*

For Life portfolio the stochastic methods exhibited very high volatility in results due to reasons not associated with the timing and amount risk of the claims. Therefore, the reserve risk factors from Solvency II were used.

All the reserve risk factors on 99.5th percentile were combined and SII correlation matrix was used to calculate the post-diversification risk adjustment at the entity level. This total risk adjustment was brought down to the selected percentile and allocated back to the individual lines based on the pre-diversification risk adjustment amounts. The Company decided to adopt the 80th percentile risk adjustment figures based on their risk appetite. The risk adjustment percentages will be re-computed at each valuation period based on the updated data and amount of claim reserves.

The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

ix) Amortization of the contractual service margin

Under GMM/ VFA approach, the CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognize as it provides services in the future. The amount of the CSM for a group of insurance contracts is recognized in the statement of income as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group
- Allocating the CSM at the end of the period (before recognizing any amounts in statement of income to reflect the services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future
- Recognizing in statement of income the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which the Company determines by considering the quantity of the benefits provided and the expected coverage duration. For groups of life insurance contracts, the coverage units are proportional to the fund value. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. The Company then allocates them based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

x) Sensitivities on major assumptions considered while applying IFRS 17

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

The sensitivity analysis performed during the year and has been presented under Note 30.

2. Basis of preparation *(continued)*

2.5 Critical accounting judgments, estimates and assumptions *(continued)*

xi) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios, and the relevant inputs used.

2.6 Standards, interpretations and amendments to accounting and reporting standards which are effective in current year

The following standards, amendments and interpretations are effective for the year ended 31 December 2023. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures and impact of IFRS 17 as disclosed in note 3.1.

	Effective from annual period beginning on or after:
- IFRS 17 Insurance Contracts	1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
- Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
- Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)	1 January 2023
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)	Issued on 23 May 2023 with immediate effectiveness

2.7 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following new accounting standards, interpretations and amendments have been issued by the IASB that are effective in future accounting periods. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

	Effective from annual period beginning on or after:
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
- IFRS S2 Climate-related Disclosures	1 January 2024
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
- Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024

3. Material accounting policy information

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as explained in note 3.1 to these financial statements:

3.1 IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in to IFRS 17. The nature of the changes in accounting policies can be summarized, as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The key measurement principles of the GMM used by the Company under IFRS 4 in the following key areas:

- Recognises and measures groups of insurance contracts at:

  a) A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows; plus
  b) An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)

- Recognises profit from a group of insurance contracts over each period the Company provides insurance contract services, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognises the loss immediately.

The Company capitalises insurance acquisition cash flows for all product lines. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.1 Insurance and reinsurance contracts classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. 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.

Some investment contracts issued by the Company contain discretionary participation feature (DPF), whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Company's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Company accounts for these contracts under IFRS 17.

The Company issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment components in Protection & Savings products comprise policyholder account values less applicable surrender fees.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Company's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the VFA.

The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee.

Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets and accounts for these Groups of contracts under the VFA.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.1 Insurance and reinsurance contracts classification *(continued)*

Fair Value Gains on Unit-Linked Investments: In accordance with our accounting policies, fair value gains on unit-linked investments have been included within the "Investment income" section of the statement of income. These gains are directly related to insurance contracts issued and may not represent realized gains on investments.

All other insurance contracts originated by the Company are without direct participation features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

3.1.2 Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that for determining the level of aggregation, the Company identifies a contract as the smallest ‘unit’, i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has defined portfolios of insurance issued and reinsurance contracts held based on its product lines. The Company applied a full retrospective approach for transition to IFRS 17 for non-life portfolios. The groups of contracts for which the modified retrospective has been adopted on transition include contracts issued more than one year apart. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.2 Level of aggregation *(continued)*

The expected profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

3.1.3 Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and

- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

3.1.4 Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of Groups of insurance contracts. This assessment is reviewed every reporting period. The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.4 Contract boundary *(continued)*

A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

- Both of the following criteria are satisfied:
  a) The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio

  b) The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

For life contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the policyholder by the Company, that the Company would consider when underwriting equivalent contracts on the renewal dates for the remaining service. The Company reassesses contract boundary of each group at the end of each reporting period.

3.1.5 Measurement Model Application

The Company uses different measurement approaches, depending on the type of contracts, as follows:

	Measurement model
Insurance contracts issued	
All non-life contracts except for engineering contracts	PAA
Engineering contracts	GMM
All life contracts except for group-life and Individual family takaful policy	VFA
Group-life	PAA
Individual family takaful policy	GMM
Retakaful / reinsurance contracts held	
All life and non-life contracts	GMM

The Company does not have any retakaful / reinsurance contracts issued to compensate another entity for claims arising from one or more insurance contracts issued by that other entity.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.6 Insurance contracts measured under the PAA

The Company applies the premium allocation approach (PAA) to all the insurance contracts mentioned in Note 3.1.4, that it issues.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows). The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted unless they are expected to be paid in one year or less from the date the claims are incurred.

3.1.7 Insurance contracts not measured under the PAA

On initial recognition, the Company measures a group of insurance 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 CSM.

The fulfilment cash flows of a group of insurance contracts do not reflect the Company’s non-performance risk.

The risk adjustment for non-financial risk for a group of insurance 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 CSM of a group of insurance contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of insurance 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 recognised for cash flows related to the group (including assets for insurance acquisition cash flows)

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.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.7 Insurance contracts not measured under the PAA *(continued)*

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

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

The liability for remaining coverage comprises

- the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and
- any remaining CSM at that date.

The liability for incurred claims 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 fulfilment cash flows of groups of insurance 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 are recognised as follows.

- Changes relating to future services – Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
- Changes relating to current or past services – Recognised in the insurance service result in profit or loss
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows – Recognised as insurance finance income or expenses

The CSM of each group of contracts is calculated at each reporting date as follows.

Insurance contracts without direct participation features

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 year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  a) any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  b) any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss (see (viii));
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.7 Insurance contracts not measured under the PAA *(continued)*

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between
  a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

  b) the actual amount that becomes payable in the year;
- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Direct participating contracts

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and

a variable fee in exchange for future services provided by the contracts, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the amount of the Company's share of the fair value of the underlying items, which relate to future services, as explained below.

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;
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  the Company has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.7 Insurance contracts not measured under the PAA *(continued)*

Direct participating contracts *(continued)*

a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or

an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses)

- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

3.1.8 Reinsurance contracts not measured under the PAA

To measure a group of reinsurance contracts, the Company applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance 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:

- the fulfilment cash flows that relate to services that will be received under the contracts in future periods and
- any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

To measure a group of reinsurance contracts, the Company applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance 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:

- the fulfilment cash flows that relate to services that will be received under the contracts in future periods and
- any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.8 Reinsurance contracts not measured under the PAA *(continue)*

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of:

- the fulfilment cash flows;
- any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group;
- any cash flows arising at that date; and
- any income recognised in profit or loss because of onerous underlying contracts recognised at that date.

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognises the cost immediately in profit or loss as an expense.

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 year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised.

The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Company uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.9 Insurance acquisition costs

The Company includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a Group of insurance contracts and that are:

- costs directly attributable to individual contracts and Groups of contracts; and
- costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Before a group of insurance contracts is recognized, the Company could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a Group of insurance contracts when the insurance contracts are subsequently recognized.

The acquisition costs are generally capitalized and recognized in the statement of income over the life of the contracts. However, for contracts under PAA approach, there is an option to recognize any insurance acquisition cash flows as an expense when the Company incurs those costs. The company has elected not to choose the option and has capitalized the costs which would then be recognized over the life of contracts. No separate asset is recognized for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

3.1.10 Insurance revenue

As the Company provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized 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, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  a) insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
    i. amounts related to the loss component;
    ii. repayments of investment components;
    iii. amounts of transaction-based taxes collected in a fiduciary capacity; and
    iv. insurance acquisition expenses;

  b) changes in the risk adjustment for non-financial risk, excluding:
    i. changes included in insurance finance income (expenses);
    ii. changes that relate to future coverage (which adjust the CSM); and
    iii. amounts allocated to the loss component;

  c) amounts of the CSM recognized in 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 insurance acquisition cash flows and premium-based taxes.

- Insurance 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.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.10 Insurance revenue *(continued)*

For Groups of insurance contracts measured under the PAA, the Company recognizes insurance revenue based on the passage of time over the coverage period of a Group of contracts.

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

3.1.11 Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- amortization of insurance acquisition cash flows;
- changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
- changes that relate to future service (i.e. losses/reversals on onerous Groups of contracts from changes in the loss components).

Other expenses not meeting the above categories are included in other operating expenses in the statement of income.

3.1.12 Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance 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 differences arising from contracts denominated in a foreign currency.

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

- changes in the fair value of underlying items;
- interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and
- the effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

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

- interest accreted on the LIC; and
- the effect of changes in interest rates and other financial assumptions.

The Company does not disaggregates insurance finance income or expenses on insurance contracts issued between profit or loss and OCI because the related financial assets are managed on a fair value basis and measured at FVTPL.

3. Material accounting policy information *(continued)*

3.1 IFRS 17 Insurance Contracts *(continued)*

3.1.13 Net income (expenses) from reinsurance contracts held

The Company presents financial performance of groups of reinsurance contracts held separately between the amounts recoverable from reinsurers and allocation of the premiums for reinsurance contracts held, comprising the following amounts:

- reinsurance expenses;
- incurred claims recovery;
- other incurred directly attributable insurance service expenses;
- effect of changes in risk of reinsurer non-performance;
- for contracts measured under the GMM, changes that relate to future service (i.e. changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts); and
- changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Company expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

- insurance claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;
- changes in the risk adjustment for non-financial risk, excluding:
  changes included in finance income (expenses) from reinsurance contracts held; and
  changes that relate to future coverage (which adjust the CSM);
- amounts of the CSM recognized in statement of income for the services received in the period; and
- ceded premium experience adjustments relating to past and current service.

3.2 Financial assets and liabilities

3.2.1 Measurement methods

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

Profit income

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

3. Material accounting policy information *(continued)*

3.2.1 Measurement methods *(continued)*

Initial recognition and measurement

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

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 amortised 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.

3.2.2 Classification and subsequent measurement of financial assets

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

Investments in sukuks (other than Tier 1 sukuks), murabaha deposits, balances with banks, statutory deposits and contribution and retakaful balances receivables are classified as held at amortized cost. Investment in shares are designated as FVOCI. Investment in the mutual funds and tier 1 sukuks are classified as FVTPL.

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

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.

Business model:

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

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

3. Material accounting policy information *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.2 Classification and subsequent measurement of financial assets *(continued)*

Solely payments of principal and profit:

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

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

- Amortised 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 FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. 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 FVTPL, 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 amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised 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.
- Fair value through profit or loss (FVTPL): Assets that are held for trading purpose or assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in the statement of income in the period in which it arises.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year ended 2023.

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 classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. 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.

3. Material accounting policy information *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.2 Classification and subsequent measurement of financial assets *(continue)*

Equity instruments *(continued)*

Gains and losses on equity investments at FVTPL (both realized and unrealized) are included in the 'Net gains on investments mandatorily measured at FVTPL' line in the statement of income.

3.2.3 Impairment of financial assets

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 amortised cost and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

If there is objective evidence that an impairment loss on a financial asset exists, the impairment for assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

3.2.4 Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- the Company transfers substantially all the risks and rewards of ownership, or
- the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

3.2.5 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss (FVTPL): this classification is applied to financial liabilities at FVTPL at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of income (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income.

3. Material accounting policy information *(continued)*

3.2 Financial assets and liabilities *(continued)*

3.2.6 Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.2.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

3.3 Property and equipment

Property and equipment is measured at cost net of accumulated depreciation and accumulated impairment in value if any. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

	Years
- Office and electrical equipment	5
- Furniture and fixtures	6-7
- Motor vehicles	5
- Computer hardware and software	3 - 5
- Digital transformation	3 - 5

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The residual values, useful lives and methods of depreciation of property, equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.4 Statutory deposit

In accordance with the Cooperative Insurance Companies Control Law issued by the Insurance Authority, the Company is required to maintain a deposit in a bank account equal to 10% of the paid up share capital of the Company. This statutory deposit cannot be withdrawn without the consent of Insurance Authority. Statutory deposit is classified as a financial asset and is carried at amortized cost.

3. Material accounting policy information *(continued)*

3.5 Provision for end of service benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

3.6 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations.

3.7 Payables to Insurance Authority

This represents accrued income on statutory deposit and Insurance Authority levy accrual. The Company is carrying this liability at amortized cost.

3.8 Statutory reserves

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

3.9 Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when they relate to items where gains or losses are recognized directly in other comprehensive income and the gain or loss is recognised net of the exchange component in equity.

3.10 Dividend distribution

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

3. Material accounting policy information *(continued)*

3.11 Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

- Medical
- Motor
- Property and casualty
- Protection and savings

Operating segments do not include shareholders' operations of the Company. Income earned from investments is the only revenue generating activity in shareholders operations. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting to the Chief Executive Officer. The Chief Executive Officer is the key decision maker and is responsible for allocating resources, assessing performance and making strategic decisions of the operating segments.

3.12 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 10 years for offices, vehicles and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the finance rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental financing rate. Generally, the Company uses its incremental financing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the incremental financing cost. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

4. Transitional note

As stated in note 2, this is the Company's first annual financial report prepared in accordance with the requirements of IFRS 17.

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

In preparing its opening IFRS 17 statement of financial position, the Company has adjusted amounts reported previously in financial statements under IFRS 4.

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

- Insurance contract assets
- Retakaful / reinsurance contract assets
- Insurance contract liabilities
- Retakaful / reinsurance contract liabilities

As at 1 January 2022, the Company applied the following approaches to identify and measure certain groups of contracts in the Protection & Savings, Property & Casualty, Motor and Medical / Health segments on transition to IFRS 17.

Year of Issue	Transition Approach
From Inception	All group of contracts except for Protection & Savings: - Full retrospective approach
2015-2022	Protection & Savings: - Full retrospective approach was impracticable; - Modified retrospective approach (Child Education Takaful Plan and Individual Retirement Policy)

4. Transitional note *(continued)*

Reclassification impact on statement of income on adoption of IFRS 17

The line-item descriptions in the statement of income have been changed significantly compared with prior periods. Previously, the Company reported the following line items:

- Gross written premium
- Retakaful / reinsurance premiums ceded
- Excess of loss expenses (XOL)
- Changes in unearned contribution – net
- Gross claims paid
- Retakaful / reinsurance share of claims paid
- Changes in outstanding claims, net
- Changes in claims incurred but not reported, net
- Changes in premium deficiency reserves
- Changes in other technical reserves
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Allocation of retakaful / reinsurance contributions
- Amounts recoverable from retakaful / reinsurance for incurred claims
- Other operating expenses

4. Transitional note *(continued)*

4.1 Transitional impact on the statement of financial position on adoption of IFRS 17

	Impact on transition to IFRS 17 as on 1 January 2022
	SAR '000
Impact on equity	
Drivers of changes	
Changes in measurement of insurance contract liabilities	36,187
Changes in measurement of retakaful / reinsurance contract assets	20,273
Total impact	56,460
Impact on insurance contract liabilities	
Drivers of changes	
Risk adjustment	(127,921)
Loss component on onerous contracts	1,967
Discounting on LIC	18,413
Reserve adjustments - LIC	63,362
Impact from LRC	83,373
Others	(3,007)
Total impact	36,187
Impact on retakaful / reinsurance contract assets	
Drivers of changes	
Reinsurance risk adjustment	44,294
Discounting of AIC	(1,102)
Impact from ARC	(16,156)
Others	(6,763)
Total impact	20,273

4. Transitional note *(continued)*

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

	1 January 2022			
	Pre-adoption of IFRS 17	IFRS 17 Reclassification	IFRS 17 Remeasurement	Post adoption of IFRS 17
	SAR '000			
Assets				
Cash and cash equivalents	500,070	-	-	500,070
Contributions and re-takaful / reinsurance balances receivable, net	414,546	(414,546)	-	-
Retakaful / reinsurance share of unearned contributions	227,284	(227,284)	-	-
Retakaful / reinsurance share of outstanding claims	207,122	(207,122)	-	-
Retakaful / reinsurance share of claims incurred but not reported	60,387	(60,387)	-	-
Retakaful / reinsurance share of mathematical reserve at FVSI	31	(31)	-	-
Deferred policy acquisition costs	109,940	(109,940)	-	-
Investments mandatorily measured at FVTPL	486,068	-	-	486,068
Investments designated as FVOCI	435,284	-	-	435,284
Investments held at amortised cost	1,749,465	-	-	1,749,465
Investment for unit linked contracts	214,184	-	-	214,184
Prepayments and other assets	54,391	(10,800)	-	43,591
Property and equipment, net	83,216	-	-	83,216
Statutory deposit	39,971	-	-	39,971
Accrued income on statutory deposit	3,626	-	-	3,626
Right-of-use assets	55,733	-	-	55,733
Insurance contract assets	-	30,201	(7)	30,194
Retakaful / reinsurance contract assets	-	402,812	28,559	431,371
Total Assets	4,641,318	(597,097)	28,552	4,072,773
Liabilities				
Payables, accruals and other liabilities	180,208	(97,960)	-	82,248
Retakaful / reinsurance balances payable	179,530	(179,530)	-	-
Unearned contributions	1,168,466	(1,168,466)	-	-
Unearned retakaful / reinsurance commission income	20,457	(20,457)	-	-
Gross outstanding claims	471,282	(471,282)	-	-
Claims incurred but not reported	881,625	(881,625)	-	-
Contribution deficiency reserve	64,301	(64,301)	-	-
Unit linked liabilities at FVSI	217,611	(217,611)	-	-
End-of-service benefits (EOSB)	24,635	-	-	24,635
Provision for zakat	51,341	-	-	51,341
Payables to Insurance Authority	8,336	-	-	8,336
Lease liabilities	54,482	-	-	54,482
Takaful operations' surplus payable	48,628	(48,628)	-	-
Insurance contract liabilities	-	2,435,892	(36,194)	2,399,698
Retakaful / reinsurance contract liabilities	-	116,871	8,286	125,157
Total Liabilities	3,370,902	(597,097)	(27,908)	2,745,897
Equity				
Share capital	400,000	-	-	400,000
Statutory reserve	178,186	-	-	178,186
Retained earnings	595,551	-	56,460	652,011
Remeasurement reserve for EOSB	(7,327)	-	-	(7,327)
Fair value reserve - investments designated as FVOCI	104,006	-	-	104,006
Equity	1,270,416	-	56,460	1,326,876
Total liabilities and equity	4,641,318	(597,097)	28,552	4,072,773

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

4. Transitional note *(continued)*

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

	31 December 2022			
	Pre-adoption of IFRS 17	IFRS 17 Reclassification	IFRS 17 Remeasurement	Post adoption of IFRS 17
	SAR '000			
Assets				
Cash and cash equivalents	620,410	-	-	620,410
Contributions and re-takaful / reinsurance balances receivable, net	683,950	(683,950)	-	-
Retakaful / reinsurance share of unearned contributions	320,424	(320,424)	-	-
Retakaful / reinsurance share of outstanding claims	186,097	(186,097)	-	-
Retakaful / reinsurance share of claims incurred but not reported	93,146	(93,146)	-	-
Retakaful / reinsurance share of mathematical reserve at FVSI	45	(45)	-	-
Deferred policy acquisition costs	164,633	(164,633)	-	-
Investments mandatorily measured at FVTPL	503,167	-	-	503,167
Investments designated as FVOCI	429,926	-	-	429,926
Investments held at amortised cost	1,927,755	-	-	1,927,755
Investment for unit linked contracts	268,506	-	-	268,506
Prepayments and other assets	53,702	-	-	53,702
Property and equipment, net	81,041	-	-	81,041
Statutory deposit	39,971	-	-	39,971
Accrued income on statutory deposit	5,026	-	-	5,026
Right-of-use assets	48,371	-	-	48,371
Insurance contract assets	-	307	9	316
Retakaful / reinsurance contract assets	-	234,849	118,134	352,983
Total Assets	5,426,170	(1,213,139)	118,143	4,331,174
Liabilities				
Payables, accruals and other liabilities	277,606	(204,235)	-	73,371
Retakaful / reinsurance balances payable	311,837	(311,837)	-	-
Unearned contributions	1,603,783	(1,603,783)	-	-
Unearned retakaful / reinsurance commission income	28,780	(28,780)	-	-
Gross outstanding claims	125,150	(125,150)	-	-
Claims incurred but not reported	1,294,170	(1,294,170)	-	-
Contribution deficiency reserve	52,587	(52,587)	-	-
Unit linked liabilities at FVSI	275,118	(275,118)	-	-
End-of-service benefits (EOSB)	22,812	-	-	22,812
Provision for zakat	49,925	-	-	49,925
Payables to Insurance Authority	9,735	-	-	9,735
Lease liabilities	49,222	-	-	49,222
Takaful operations' surplus payable	37,318	(37,318)	-	-
Insurance contract liabilities	-	2,716,293	77,127	2,793,420
Retakaful / reinsurance contract liabilities	-	3,546	1,783	5,329
Total Liabilities	4,138,043	(1,213,139)	78,910	3,003,814
Equity				
Share capital	400,000	-	-	400,000
Statutory reserve	196,109	-	-	196,109
Retained earnings	667,246	-	39,233	706,479
Remeasurement reserve for EOSB	(5,423)	-	-	(5,423)
Fair value reserve - investments designated as FVOCI	30,195	-	-	30,195
Equity	1,288,127	-	39,233	1,327,360
Total liabilities and equity	5,426,170	(1,213,139)	118,143	4,331,174

4. Transitional note *(continued)*

4.4 Reconciliation of statement of income for the period ended 31 December 2022

	31 December 2022			
	Pre-adoption of IFRS 17	IFRS 17 Reclassification	IFRS 17 Remeasurement	Post adoption of IFRS 17
	SAR '000			
Revenues				
Gross contribution written	3,470,070	(3,470,070)	-	-
Retakaful / reinsurance contributions ceded - domestic	(2,996)	2,996	-	-
Retakaful / reinsurance contributions ceded - foreign	(668,064)	668,064	-	-
Excess of loss expenses (XOL)	(13,003)	13,003	-	-
Net contributions written	2,786,007	(2,786,007)	-	-
Changes in unearned contributions, net	(342,178)	342,178	-	-
Net contributions earned	2,443,829	(2,443,829)	-	-
Retakaful / reinsurance commission income	39,515	(39,515)	-	-
Other underwriting income	6,334	(6,334)	-	-
Total Revenues	2,489,678	(2,489,678)	-	-
Insurance revenue	-	2,934,503	-	2,934,503
Insurance service expenses	-	(2,491,494)	-	(2,491,494)
Insurance service result before retakaful / reinsurance contracts held	-	443,009	-	443,009
Allocation of retakaful / reinsurance contributions	-	(464,378)	-	(464,378)
Amounts recoverable from retakaful / reinsurance for incurred claims	-	80,184	-	80,184
Net expense from retakaful / reinsurance contracts held	-	(384,194)	-	(384,194)
Insurance service result	-	58,815	-	58,815
Underwriting costs and expenses				
Gross claims paid and loss adjustment expenses	(1,864,802)	1,864,802	-	-
Surrenders and maturities	(45,173)	45,173	-	-
Expenses incurred related to claims	(36,783)	36,783	-	-
Retakaful / reinsurance share of claims paid	171,166	(171,166)	-	-
Net claims and other benefits paid	(1,775,592)	1,775,592	-	-
Changes in outstanding claims, net	325,107	(325,107)	-	-
Changes in incurred but not reported (IBNR) claims, net	(379,786)	379,786	-	-
Change in contribution deficiency reserve	11,714	(11,714)	-	-
Net claims and other benefits incurred	(1,818,557)	1,818,557	-	-
Change in unit linked liabilities at FVSI, net	(68,173)	68,173	-	-
Policy acquisition costs	(341,884)	341,884	-	-
Other underwriting income	-	-	-	-
Other underwriting expenses, net	(17,306)	17,306	-	-
Total underwriting costs and expenses	(2,245,920)	2,245,920	-	-
Net underwriting income	**243,758**	**(243,758)**	**-**	**-**

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

4. Transitional note *(continued)*

4.4 Reconciliation of statement of income for the period ended 31 December 2022 *(continued)*

	31 December 2022			
	Pre-adoption of IFRS 17	IFRS 17 Reclassification	IFRS 17 Remeasurement	Post adoption of IFRS 17
	SAR '000			
Net gains on investments mandatorily measured at FVTPL	-	41,647	-	41,647
Fair value gain of unit-linked investments	-	(12,481)	-	(12,481)
Dividend income	-	48,663	-	48,663
Special commission income	-	-	-	-
Reversal / impairment loss on financial assets	-	(242)	-	(242)
Net investment income	-	77,587	-	77,587
Finance income from insurance contracts issued	-	25,359	-	25,359
Finance income from retakaful / reinsurance contracts held	-	6,655	-	6,655
Net finance income	**-**	**32,014**	**-**	**32,014**
Net insurance and investment result	**-**	**168,416**	**-**	**168,416**
Other operating (expenses)/ income				
Reversal of allowance for doubtful debts - contributions and retakaful / reinsurance balances receivable	20,846	(20,846)	-	-
General and administrative expenses	(259,641)	259,641	-	-
Special commission income	60,711	(60,711)	-	-
Net gains on investments mandatorily measured at FVTPL	16,570	(16,570)	-	-
Dividend income	13,029	(13,029)	-	-
Reversal / impairment loss on financial assets	(242)	242	-	-
Other income	12,726	(12,726)	-	-
Total other operating expenses	**(136,001)**	**136,001**	-	-
Other operating expenses	-	(98,501)	-	(98,501)
Other income	-	12,726	-	12,726
Net income for the period before zakat	**107,757**	**(25,116)**	**-**	**82,641**
Net income for the year attributable to takaful operations	(7,889)	7,889	-	-
Net income for the year before zakat attributable to the shareholders	**99,868**	**(17,227)**	**-**	**82,641**
Provision for zakat	(10,250)	-	-	(10,250)
Net income for the year after zakat attributable to the shareholders	**89,618**	**(17,227)**	**-**	**72,391**

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

4. Transitional note *(continued)*

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

	31 December 2022			
	Pre-adoption of IFRS 17	IFRS 17 Reclassification	IFRS 17 Remeasurement	Post adoption of IFRS 17
	SAR '000			
Net income for the period after zakat attributable to the shareholders	**89,618**	**(17,227)**	**-**	**72,391**
Items that will not be reclassified to statement of income in subsequent periods				
Net fair value changes on investments designated as FVOCI	(73,811)	-	-	(73,811)
Remeasurement of EOSB	1,904	-	-	1,904
Total comprehensive income for the period	**17,711**	**(17,227)**	**-**	**484**

5. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Note	**Takaful operations**		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
		SAR '000		
Cash and bank balances	5.1	**393,039**	341,683	431,362
Short term deposits	5.2	**474,746**	175,000	-
Accrued profit on short term deposits		**2,481**	42	-
Total cash and cash equivalents in the statement of cash flows		**870,266**	516,725	431,362
Expected credit loss allowance		**(364)**	(126)	-
Total cash and cash equivalents		**869,902**	516,599	431,362
Deposits against letters of guarantee		**39,956**	61,318	40,190
		909,858	577,917	471,552

	Note	**Shareholders' operations**		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
		SAR '000		
Cash and bank balances		**30,536**	37,784	23,809
Cash balance with Al Rajhi Capital		**-**	-	-
Cah and bank balances - total cash and cash equivalents in the statement of cash flows	5.1	**30,536**	37,784	23,809
Cash at banks (statutory deposit income)		**4,709**	4,709	4,709
		35,245	42,493	28,518
Cash and bank balances		**945,103**	620,410	500,070

5.1 Bank balances are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

5.2 The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are denominated in Saudi riyals and have an original maturity of less than three months. These earn profit at an average rate of 6.25% per annum as of 31 December 2023 (31 December 2022: 4.35% per annum).

6. Investments

Investments are classified as follows:

	Note	Takaful operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
	Note	**SAR '000**		
Investments measured at FVTPL	6.1	**482,828**	447,965	380,246
Investment measured at FVOCI	6.2	**57,494**	80,404	33,893
Investment measured at amortized cost	6.3	**1,833,889**	1,200,685	1,387,154
Investment for unit linked contracts	6.4	**1,163,230**	268,506	214,184
		3,537,441	1,997,560	2,015,477

	Note	Shareholders' operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
	Note	**SAR '000**		
Investments measured at FVTPL	6.1	**44,880**	55,202	105,822
Investment measured at FVOCI	6.2	**401,718**	349,522	401,391
Investment measured at amortized cost	6.3	**666,906**	727,070	362,311
		1,113,504	1,131,794	869,524

	Note	Total		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
	Note	**SAR '000**		
Investments measured at FVTPL	6.1	**527,708**	503,167	486,068
Investment measured at FVOCI	6.2	**459,212**	429,926	435,284
Investment measured at amortized cost	6.3	**2,500,795**	1,927,755	1,749,465
Investment for unit linked contracts	6.4	**1,163,230**	268,506	214,184
Total investments		**4,650,945**	3,129,354	2,885,001

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

6. Investments *(continued)*

6.1 Investments measured at FVTPL

6.1.1 The movement in investments measured at FVTPL is as follows:

		Takaful operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
	Note	**SAR '000**		
Opening balance		**447,965**	380,246	322,477
Purchases		**1,192,010**	1,483,000	1,658,838
Disposals		**(1,147,746)**	(1,417,264)	(1,603,023)
Accrued investment income		**2,534**	1,668	1,097
Changes in fair value of investments, net		**(11,935)**	315	857
Closing balance		**482,828**	447,965	380,246

		Shareholders' operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
	Note	**SAR '000**		
Opening balance		**55,202**	105,822	82,098
Purchases		**153,565**	369,500	807,162
Disposals		**(155,909)**	(420,159)	(783,886)
Accrued investment income		**39**	39	39
Changes in fair value of investments, net		**(8,017)**	-	409
Closing balance		**44,880**	55,202	105,822
Total		**527,708**	503,167	486,068

6.1.2 Investments measured at FVTPL including accrued investment income comprise the following:

	Takaful operations		
	31 December 2023	31 December 2022	1 January 2022
		Restated	Restated
	SAR '000		
Mutual funds	**120,018**	154,085	216,937
Sukuk	**360,276**	292,212	162,212
Accrued investment income	**2,534**	1,668	1,097
	482,828	447,965	380,246

6. Investments *(continued)*

6.1 Investments measured at FVTPL *(continued)*

	Shareholders' operations		
	31 December 2023	31 December 2022	1 January 2022
		Restated	Restated
	SAR '000		
Mutual funds	**35,132**	45,163	95,783
Sukuk	**9,709**	10,000	10,000
Accrued investment income	**39**	39	39
	44,880	55,202	105,822

6.2 Investment measured at FVOCI

6.2.1 The movement in investments measured at FVOCI is as follows:

	Note	Takaful operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
		SAR '000		
Opening balance		**80,404**	33,893	30,107
Purchases		**30,000**	68,453	-
Disposals		**(68,568)**	-	-
Changes in fair value of investments, net		**15,658**	(21,942)	3,786
Closing balance		**57,494**	80,404	33,893

	Note	Shareholders' operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
		SAR '000		
Opening balance		**349,522**	401,391	296,341
Purchases		**-**	-	65,023
Disposals		**-**	-	(15,326)
Changes in fair value of investments, net		**52,196**	(51,869)	55,353
Closing balance		**401,718**	349,522	401,391
Total		**459,212**	429,926	435,284

6. Investments *(continued)*

6.2 Investment measured at FVOCI *(continued)*

6.2.2 Investments measured at FVOCI comprise the following:

	Takaful operations		
	31 December 2023	31 December 2022	1 January 2022
		Restated	Restated
	SAR '000		
Listed equity securities	57,494	80,404	33,893
Unlisted equity securities	-	-	-
	57,494	80,404	33,893

	Shareholders' operations		
	31 December 2023	31 December 2022	1 January 2022
		Restated	Restated
	SAR '000		
Listed equity securities	**362,015**	341,980	393,849
Unlisted equity securities	**39,703**	7,542	7,542
	401,718	349,522	401,391

6.2.3 The investment measured at FVOCI includes investment in Najm that has been valued as follows:

	Note	**31 December 2023**	31 December 2022	1 January 2022
			Restated	Restated
		SAR '000		
Cost of investment		**1,923**	1,923	1,923
Fair value reserve				
Opening balance		**5,619**	5,619	5,619
Changes in fair value		**32,161**	-	-
Fair value reserve - closing balance		**37,780**	5,619	5,619
Total investment at fair value		**39,703**	7,542	7,542

The fair value of Najm is based on the independent valuation report dated 31 March 2023. The independent valuer has been appointed by the Najm.

6. Investments *(continued)*

6.3 Investment measured at amortized cost

6.3.1 The movement in investments measured at amortized cost is as follows:

	Note	Takaful operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
		SAR '000		
Opening balance		**1,201,731**	1,388,061	1,229,834
Purchases		**1,693,149**	1,475,590	329,810
Disposals / maturities		**(1,090,347)**	(1,687,505)	(201,226)
Accrued investment income		**30,510**	25,585	29,643
Expected credit losses		**(1,154)**	(1,046)	(907)
Closing balance		**1,833,889**	1,200,685	1,387,154

	Note	Shareholders' operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
		SAR '000		
Opening balance		**727,206**	362,434	140,075
Purchases		**-**	785,659	339,965
Disposals / maturities		**(70,520)**	(427,533)	(120,074)
Accrued investment income		**10,315**	6,646	2,468
Expected credit losses		**(95)**	(136)	(123)
Closing balance		**666,906**	727,070	362,311
Total		**2,500,795**	1,927,755	1,749,465

6.3.2 Investments measured at amortized cost including accrued investment income comprise the following:

	Takaful operations		
	31 December 2023	31 December 2022	1 January 2022
		Restated	Restated
	SAR '000		
Murabaha deposits	**1,552,438**	1,024,190	1,099,307
Sukuk	**250,941**	150,910	258,204
Accrued investment income	**30,510**	25,585	29,643
	1,833,889	1,200,685	1,387,154

6. Investments *(continued)*

6.3 Investment measured at amortized cost *(continued)*

	Shareholders' operations		
	31 December 2023	31 December 2022	1 January 2022
		Restated	Restated
	SAR '000		
Murabaha deposits	**-**	-	99,978
Sukuk	**656,591**	720,424	259,865
Accrued investment income	**10,315**	6,646	2,468
	666,906	727,070	362,311

The murabaha deposits having original maturity exceeding three months have been placed with reputable commercial banks and financial institutions both local and foreign. They are denominated in Saudi Arabian Riyals. These deposits earn yield at rates ranging from 5.10 % to 6.67 % per annum (2022: 2.75% to 6.00 %). These are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

6.4 Investment for unit linked contracts

6.4.1 Investment for unit linked contracts are measured at FVTPL. The movement in unit-linked investments is as follows:

		Takaful operations		
		31 December 2023	31 December 2022	1 January 2022
			Restated	Restated
	Note	SAR '000		
Opening balance		**268,506**	214,184	139,144
Purchases		**780,715**	66,803	49,382
Disposals		**-**	-	-
Changes in fair value of investments, net		**114,009**	(12,481)	25,658
Closing balance		**1,163,230**	268,506	214,184

6.4.2 Unit-linked investments, measured at FVTPL, represents investment made in mutual funds only.

7. Insurance and retakaful / reinsurance contracts

The breakdown of the Company's insurance contracts issued, and retakaful / reinsurance contracts contracts held, that are in an asset position and those in a liability position is set out in the table below:

	Note	Valuation Approach	31 December 2023 Assets	31 December 2023 Liabilities	31 December 2022 Assets	31 December 2022 Liabilities	1 January 2022 Assets	1 January 2022 Liabilities
			SAR '000					
Insurance contracts assets & liabilities								
Motor	7.1.1 (a)	PAA	**-**	**2,213,562**	34	1,550,200	2,906	1,448,012
Medical / Health	7.1.1 (b)	PAA	**-**	**492,109**	282	310,987	-	209,907
Property & casualty	7.1.1 (c)	PAA	**174,213**	**439,336**	-	279,687	-	278,418
Protection & savings	7.1.1 (d)	PAA	**-**	**122,971**	-	212,014	27,288	180,855
Total – PAA	7.1.1		**174,213**	**3,267,978**	316	2,352,888	30,194	2,117,192
Property & casualty	7.1.2 (a)	GMM	**-**	**229,323**	-	174,548	-	74,917
Protection & savings	7.1.2 (b)	GMM / VFA	**29**	**1,151,825**	-	265,984	-	207,589
Total – GMM/VFA	7.1.2		**29**	**1,381,148**	-	440,532	-	282,506
			174,242	**4,649,126**	316	2,793,420	30,194	2,399,698
Retakaful / reinsurance contract assets & liabilities								
Motor	7.2.1 (a)	GMM	**12,015**	**5,992**	11,864	-	11,782	490
Medical / Health	7.2.1 (b)	GMM	**-**	**-**	-	-	-	-
Property & casualty	7.2.1 (c)	GMM	**529,692**	**159,422**	227,211	-	279,537	-
Protection & savings	7.2.1 (d)	GMM	**104,417**	**30,941**	113,908	5,329	140,052	124,667
Total – GMM	7.2.1		**646,124**	**196,355**	352,983	5,329	431,371	125,157

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances

7.1.1 Insurance contracts measured under PAA

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	797,634	109,753	1,350,860	94,641	2,352,888	661,692	62,342	1,266,168	126,990	2,117,192
Opening insurance contract assets	(282)	-	(34)	-	(316)	(30,194)	-	-	-	(30,194)
Net balance as at 1 January - restated	797,352	109,753	1,350,826	94,641	2,352,572	631,498	62,342	1,266,168	126,990	2,086,998
Insurance revenue	(3,991,241)	-	-	-	(3,991,241)	(2,776,863)	-	-	-	(2,776,863)
Insurance service expenses										
Incurred claims	-	-	2,754,455	78,943	2,833,398	-	62,342	2,366,515	56,106	2,484,963
Directly attributable non-acquisition expenses	-	-	187,908	-	187,908	-	-	156,694	-	156,694
Changes relating to liabilities for incurred claims	-	-	(16,765)	(2,840)	(19,605)	-	-	(417,739)	(89,164)	(506,903)
Losses / (loss reversals) on onerous contracts	-	(60,930)	-	-	(60,930)	-	(14,931)	-	-	(14,931)
Insurance acquisition costs incurred	448,735	-	-	-	448,735	319,673	-	-	-	319,673
Surplus distribution to policyholders	-	-	37,547	-	37,547	-	-	7,889	-	7,889
	448,735	(60,930)	2,963,145	76,103	3,427,053	319,673	47,411	2,113,359	(33,058)	2,447,385
Insurance service result	(3,542,506)	(60,930)	2,963,145	76,103	(564,188)	(2,457,190)	47,411	2,113,359	(33,058)	(329,478)
Finance expenses from insurance contracts issued	-	-	43,221	7,008	50,229	-	-	(5,617)	709	(4,908)
Total amounts recognised in statement of income	(3,542,506)	(60,930)	3,006,366	83,111	(513,959)	(2,457,190)	47,411	2,107,742	(32,349)	(334,386)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received	4,204,404	-	-	-	4,204,404	2,892,721	-	-	-	2,892,721
Claims paid	-	-	(2,310,183)	-	(2,310,183)	-	-	(1,866,389)	-	(1,866,389)
Directly attributable non- acquisition expenses paid	-	-	(187,909)	-	(187,909)	-	-	(156,695)	-	(156,695)
Insurance acquisition cash flows	(451,160)	-	-	-	(451,160)	(269,677)	-	-	-	(269,677)
	3,753,244	-	(2,498,092)	-	1,255,152	2,623,044	-	(2,023,084)	-	599,960
Net balance as at 31 December	1,008,090	48,823	1,859,100	177,752	3,093,765	797,352	109,753	1,350,826	94,641	2,352,572
Closing insurance contract liabilities	1,182,303	48,823	1,859,100	177,752	3,267,978	797,634	109,753	1,350,860	94,641	2,352,888
Closing insurance contract assets	(174,213)	-	-	-	(174,213)	(282)	-	(34)	-	(316)
Net balance as at 31 December	1,008,090	48,823	1,859,100	177,752	3,093,765	797,352	109,753	1,350,826	94,641	2,352,572

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.1 Insurance contracts measured under PAA

a) Motor

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	628,495	93,679	778,768	49,258	1,550,200	502,952	46,385	835,840	62,835	1,448,012
Opening insurance contract assets	-	-	(34)	-	(34)	(2,906)	-	-	-	(2,906)
Net balance as at 1 January	628,495	93,679	778,734	49,258	1,550,166	500,046	46,385	835,840	62,835	1,445,106
Insurance revenue	(2,304,745)	-	-	-	(2,304,745)	(1,500,361)	-	-	-	(1,500,361)
Insurance service expenses										
Incurred claims	-	-	1,675,071	35,357	1,710,428	-	46,385	1,620,388	22,203	1,688,976
Directly attributable non-acquisition expenses	-	-	96,677	-	96,677	-	-	64,586	-	64,586
Changes relating to liabilities for incurred claims	-	-	(133,630)	2,992	(130,638)	-	-	(287,905)	(35,745)	(323,650)
Losses / (loss reversals) on onerous contracts	-	(93,679)	-	-	(93,679)	-	909	-	-	909
Insurance acquisition costs incurred	310,248	-	-	-	310,248	183,197	-	-	-	183,197
Surplus distribution to policyholders	-	-	20,294	-	20,294	-	-	6,311	-	6,311
	310,248	(93,679)	1,658,412	38,349	1,913,330	183,197	47,294	1,403,380	(13,542)	1,620,329
Insurance service result	(1,994,497)	(93,679)	1,658,412	38,349	(391,415)	(1,317,164)	47,294	1,403,380	(13,542)	119,968
Finance expenses from insurance contracts issued	-	-	29,381	3,671	33,052	-	-	(6,740)	(35)	(6,775)
Total amounts recognised in statement of income	(1,994,497)	(93,679)	1,687,793	42,020	(358,363)	(1,317,164)	47,294	1,396,640	(13,577)	113,193
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received	2,804,822	-	-	-	2,804,822	1,681,125	-	-	-	1,681,125
Claims paid	-	-	(1,369,173)	-	(1,369,173)	-	-	(1,389,160)	-	(1,389,160)
Directly attributable non- acquisition expenses paid	-	-	(96,677)	-	(96,677)	-	-	(64,586)	-	(64,586)
Insurance acquisition cash flows	(317,213)	-	-	-	(317,213)	(235,512)	-	-	-	(235,512)
	2,487,609	-	(1,465,850)	-	1,021,759	1,445,613	-	(1,453,746)	-	(8,133)
Net balance as at 31 December	1,121,607	-	1,000,677	91,278	2,213,562	628,495	93,679	778,734	49,258	1,550,166
Closing insurance contract liabilities	1,121,607	-	1,000,677	91,278	2,213,562	628,495	93,679	778,768	49,258	1,550,200
Closing insurance contract assets	-	-	-	-	-	-	-	(34)	-	(34)
Net balance as at 31 December	1,121,607	-	1,000,677	91,278	2,213,562	628,495	93,679	778,734	49,258	1,550,166

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.1 Insurance contracts measured under PAA *(continued)*

b) Medical / Health

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	-	16,074	274,580	20,333	310,987	40,137	15,957	137,677	16,136	209,907
Opening insurance contract assets	(282)	-	-	-	(282)	-	-	-	-	-
Net balance as at 1 January	(282)	16,074	274,580	20,333	310,705	40,137	15,957	137,677	16,136	209,907
Insurance revenue	(985,282)	-	-	-	(985,282)	(550,293)	-	-	-	(550,293)
Insurance service expenses										
Incurred claims	-	-	868,938	29,598	898,536	-	15,957	457,996	16,563	490,516
Directly attributable non-acquisition expenses	-	-	68,370	-	68,370	-	-	59,952	-	59,952
Changes relating to liabilities for incurred claims	-	-	(14,394)	(15,598)	(29,992)	-	-	(33,211)	(12,552)	(45,763)
Losses / (loss reversals) on onerous contracts	-	32,749	-	-	32,749	-	(15,840)	-	-	(15,840)
Insurance acquisition costs incurred	40,015	-	-	-	40,015	25,955	-	-	-	25,955
Surplus distribution to policyholders	-	-	10,824	-	10,824	-	-	528	-	528
	40,015	32,749	933,738	14,000	1,020,502	25,955	117	485,265	4,011	515,348
Insurance service result	(945,267)	32,749	933,738	14,000	35,220	(524,338)	117	485,265	4,011	(34,945)
Finance expenses from insurance contracts issued	-	-	9,265	1,523	10,788	-	-	730	186	916
Total amounts recognised in statement of income	(945,267)	32,749	943,003	15,523	46,008	(524,338)	117	485,995	4,197	(34,029)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received	985,732	-	-	-	985,732	507,644	-	-	-	507,644
Claims paid	-	-	(767,673)	-	(767,673)	-	-	(289,140)	-	(289,140)
Directly attributable non- acquisition expenses paid	-	-	(68,370)	-	(68,370)	-	-	(59,952)	-	(59,952)
Insurance acquisition cash flows	(14,293)	-	-	-	(14,293)	(23,725)	-	-	-	(23,725)
	971,439	-	(836,043)	-	135,396	483,919	-	(349,092)	-	134,827
Net balance as at 31 December	25,890	48,823	381,540	35,856	492,109	(282)	16,074	274,580	20,333	310,705
Closing insurance contract liabilities	25,890	48,823	381,540	35,856	492,109	-	16,074	274,580	20,333	310,987
Closing insurance contract assets	-	-	-	-	-	(282)	-	-	-	(282)
Net balance as at 31 December	25,890	48,823	381,540	35,856	492,109	(282)	16,074	274,580	20,333	310,705

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.1 Insurance contracts measured under PAA *(continued)*

c) Property & casualty

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	126,284	-	140,614	12,789	279,687	118,603	-	125,193	34,622	278,418
Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 1 January	126,284	-	140,614	12,789	279,687	118,603	-	125,193	34,622	278,418
Insurance revenue	(535,438)	-	-	-	(535,438)	(353,539)	-	-	-	(353,539)
Insurance service expenses										
Incurred claims	-	-	162,888	9,688	172,576	-	-	108,123	9,796	117,919
Directly attributable non-acquisition expenses	-	-	15,533	-	15,533	-	-	15,873	-	15,873
Changes relating to liabilities for incurred claims	-	-	174,085	20,440	194,525	-	-	(73,767)	(32,003)	(105,770)
Losses / (loss reversals) on onerous contracts	-	-	-	-	-	-	-	-	-	-
Insurance acquisition costs incurred	11,745	-	-	-	11,745	9,468	-	-	-	9,468
Surplus distribution to policyholders	-	-	5,306	-	5,306	-	-	637	-	637
	11,745	-	357,812	30,128	399,685	9,468	-	50,866	(22,207)	38,127
Insurance service result	(523,693)	-	357,812	30,128	(135,753)	(344,071)	-	50,866	(22,207)	(315,412)
Finance expenses from insurance contracts issued	-	-	3,403	934	4,337	-	-	213	374	587
Total amounts recognised in statement of income	(523,693)	-	361,215	31,062	(131,416)	(344,071)	-	51,079	(21,833)	(314,825)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received	228,953	-	-	-	228,953	358,826	-	-	-	358,826
Claims paid	-	-	(90,811)	-	(90,811)	-	-	(19,784)	-	(19,784)
Directly attributable non- acquisition expenses paid	-	-	(15,533)	-	(15,533)	-	-	(15,874)	-	(15,874)
Insurance acquisition cash flows	(5,757)	-	-	-	(5,757)	(7,074)	-	-	-	(7,074)
	223,196	-	(106,344)	-	116,852	351,752	-	(35,658)	-	316,094
Net balance as at 31 December	(174,213)	-	395,485	43,851	265,123	126,284	-	140,614	12,789	279,687
Closing insurance contract liabilities	-	-	395,485	43,851	439,336	126,284	-	140,614	12,789	279,687
Closing insurance contract assets	(174,213)	-	-	-	(174,213)	-	-	-	-	-
Net balance as at 31 December	(174,213)	-	395,485	43,851	265,123	126,284	-	140,614	12,789	279,687

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.1 Insurance contracts measured under PAA *(continued)*

d) Protection & savings

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	42,855	-	156,898	12,261	212,014	-	-	167,458	13,397	180,855
Opening insurance contract assets	-	-	-	-	-	(27,288)	-	-	-	(27,288)
Net balance as at 1 January	42,855	-	156,898	12,261	212,014	(27,288)	-	167,458	13,397	153,567
Insurance revenue	(165,776)	-	-	-	(165,776)	(372,670)	-	-	-	(372,670)
Insurance service expenses										
Incurred claims	-	-	47,558	4,300	51,858	-	-	180,008	7,544	187,552
Directly attributable non-acquisition expenses	-	-	7,328	-	7,328	-	-	16,283	-	16,283
Changes relating to liabilities for incurred claims	-	-	(42,826)	(10,674)	(53,500)	-	-	(22,856)	(8,864)	(31,720)
Losses / (loss reversals) on onerous contracts	-	-	-	-	-	-	-	-	-	-
Insurance acquisition costs incurred	86,727	-	-	-	86,727	101,053	-	-	-	101,053
Surplus distribution to policyholders	-	-	1,123	-	1,123	-	-	413	-	413
	86,727	-	13,183	(6,374)	93,536	101,053	-	173,848	(1,320)	273,581
Insurance service result	(79,049)	-	13,183	(6,374)	(72,240)	(271,617)	-	173,848	(1,320)	(99,089)
Finance expenses from insurance contracts issued	-	-	1,172	880	2,052	-	-	180	184	364
Total amounts recognised in statement of income	(79,049)	-	14,355	(5,494)	(70,188)	(271,617)	-	174,028	(1,136)	(98,725)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received	184,897	-	-	-	184,897	345,126	-	-	-	345,126
Claims paid	-	-	(82,526)	-	(82,526)	-	-	(168,305)	-	(168,305)
Directly attributable non- acquisition expenses paid	-	-	(7,329)	-	(7,329)	-	-	(16,283)	-	(16,283)
Insurance acquisition cash flows	(113,897)	-	-	-	(113,897)	(3,366)	-	-	-	(3,366)
	71,000	-	(89,855)	-	(18,855)	341,760	-	(184,588)	-	157,172
Net balance as at 31 December	34,806	-	81,398	6,767	122,971	42,855	-	156,898	12,261	212,014
Closing insurance contract liabilities	34,806	-	81,398	6,767	122,971	42,855	-	156,898	12,261	212,014
Closing insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 31 December	34,806	-	81,398	6,767	122,971	42,855	-	156,898	12,261	212,014

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.2 Insurance contracts measured under measured under GMM & VFA

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	392,276	132	41,721	6,403	440,532	273,393	2	8,178	933	282,506
Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 1 January	392,276	132	41,721	6,403	440,532	273,393	2	8,178	933	282,506
Insurance revenue	(245,229)	-	-	-	(245,229)	(157,640)	-	-	-	(157,640)
Insurance service expenses										
Incurred claims	-	(120)	13,491	957	14,328	-	(8)	38,694	5,505	44,191
Directly attributable non-acquisition expenses	-	-	8,337	-	8,337	-	-	5,229	-	5,229
Changes relating to liabilities for incurred claims	-	-	77,794	6,653	84,447	-	-	4,451	(18)	4,433
Losses / (loss reversals) on onerous contracts	-	794	-	-	794	-	138	-	-	138
Insurance acquisition costs incurred	5,008	-	-	-	5,008	(9,882)	-	-	-	(9,882)
Surrenders and maturities	-	-	-	-	-	-	-	-	-	-
	5,008	674	99,622	7,610	112,914	(9,882)	130	48,374	5,487	44,109
Insurance service result	(240,221)	674	99,622	7,610	(132,315)	(167,522)	130	48,374	5,487	(113,531)
Finance expenses from insurance contracts issued	122,626	2	1,435	493	124,556	(7,753)	-	(200)	(17)	(7,970)
Total amounts recognised in statement of income	(117,595)	676	101,057	8,103	(7,759)	(175,275)	130	48,174	5,470	(121,501)
Investment components	(69,377)	-	69,377	-	-	(45,911)	-	45,911	-	-
Cash flows										
Premiums received	1,148,653	-	-	-	1,148,653	364,668	-	-	-	364,668
Claims paid	-	-	(82,462)	-	(82,462)	-	-	(55,313)	-	(55,313)
Directly attributable non- acquisition expenses paid	-	-	(8,337)	-	(8,337)	-	-	(5,229)	-	(5,229)
Insurance acquisition cash flows	(109,508)	-	-	-	(109,508)	(24,599)	-	-	-	(24,599)
	1,039,145	-	(90,799)	-	948,346	340,069	-	(60,542)	-	279,527
Net balance as at 31 December	1,244,449	808	121,356	14,506	1,381,119	392,276	132	41,721	6,403	440,532
Closing insurance contract liabilities	1,244,478	808	121,356	14,506	1,381,148	392,276	132	41,721	6,403	440,532
Closing insurance contract assets	(29)	-	-	-	(29)	-	-	-	-	-
Net balance as at 31 December	1,244,449	808	121,356	14,506	1,381,119	392,276	132	41,721	6,403	440,532

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.2 Insurance contracts measured under measured under GMM & VFA *(continued)*

a) Property & casualty

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	126,324	100	41,721	6,403	174,548	65,806	-	8,178	933	74,917
Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 1 January	126,324	100	41,721	6,403	174,548	65,806	-	8,178	933	74,917
Insurance revenue	(196,831)	-	-	-	(196,831)	(133,547)	-	-	-	(133,547)
Insurance service expenses										
Incurred claims	-	(102)	8,988	957	9,843	-	-	36,245	5,505	41,750
Directly attributable non-acquisition expenses	-	-	3,186	-	3,186	-	-	1,019	-	1,019
Changes relating to liabilities for incurred claims	-	-	77,794	6,653	84,447	-	-	4,451	(18)	4,433
Losses / (loss reversals) on onerous contracts	-	214	-	-	214	-	101	-	-	101
Insurance acquisition costs incurred	2,868	-	-	-	2,868	4,068	-	-	-	4,068
Surrenders and maturities	-	-	-	-	-	-	-	-	-	-
	2,868	112	89,968	7,610	100,558	4,068	101	41,715	5,487	51,371
Insurance service result	(193,963)	112	89,968	7,610	(96,273)	(129,479)	101	41,715	5,487	(82,176)
Finance expenses from insurance contracts issued	8,605	1	1,435	493	10,534	2,094	(1)	(200)	(17)	1,876
Total amounts recognised in statement of income	(185,358)	113	91,403	8,103	(85,739)	(127,385)	100	41,515	5,470	(80,300)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums received	154,825	-	-	-	154,825	191,772	-	-	-	191,772
Claims paid	-	-	(8,582)	-	(8,582)	-	-	(6,953)	-	(6,953)
Directly attributable non- acquisition expenses paid	-	-	(3,186)	-	(3,186)	-	-	(1,019)	-	(1,019)
Insurance acquisition cash flows	(2,543)	-	-	-	(2,543)	(3,869)	-	-	-	(3,869)
	152,282	-	(11,768)	-	140,514	187,903	-	(7,972)	-	179,931
Net balance as at 31 December	93,248	213	121,356	14,506	229,323	126,324	100	41,721	6,403	174,548
Closing insurance contract liabilities	93,248	213	121,356	14,506	229,323	126,324	100	41,721	6,403	174,548
Closing insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 31 December	93,248	213	121,356	14,506	229,323	126,324	100	41,721	6,403	174,548

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.2 Insurance contracts measured under measured under GMM & VFA *(continued)*

b) Protection & savings

	31 December 2023					31 December 2022				
	LRC		LIC			LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening insurance contract liabilities	265,952	32	-	-	265,984	207,587	2	-	-	207,589
Opening insurance contract assets	-	-	-	-	-	-	-	-	-	-
Net balance as at 1 January	265,952	32	-	-	265,984	207,587	2	-	-	207,589
Insurance revenue	(48,398)	-	-	-	(48,398)	(24,093)	-	-	-	(24,093)
Insurance service expenses										
Incurred claims	-	(18)	4,503	-	4,485	-	(8)	2,449	-	2,441
Directly attributable non-acquisition expenses	-	-	5,151	-	5,151	-	-	4,210	-	4,210
Changes relating to liabilities for incurred claims	-	-	-	-	-	-	-	-	-	-
Losses / (loss reversals) on onerous contracts	-	580	-	-	580	-	37	-	-	37
Insurance acquisition costs incurred	2,140	-	-	-	2,140	(13,950)	-	-	-	(13,950)
Surrenders and maturities	-	-	-	-	-	-	-	-	-	-
	2,140	562	9,654	-	12,356	(13,950)	29	6,659	-	(7,262)
Insurance service result	(46,258)	562	9,654	-	(36,042)	(38,043)	29	6,659	-	(31,355)
Finance expenses from insurance contracts issued	114,021	1	-	-	114,022	(9,847)	1	-	-	(9,846)
Total amounts recognised in statement of income	67,763	563	9,654	-	77,980	(47,890)	30	6,659	-	(41,201)
Investment components	(69,377)	-	69,377	-	-	(45,911)	-	45,911	-	-
Cash flows										
Premiums received	993,828	-	-	-	993,828	172,896	-	-	-	172,896
Claims paid	-	-	(73,880)	-	(73,880)	-	-	(48,360)	-	(48,360)
Directly attributable non- acquisition expenses paid	-	-	(5,151)	-	(5,151)	-	-	(4,210)	-	(4,210)
Insurance acquisition cash flows	(106,965)	-	-	-	(106,965)	(20,730)	-	-	-	(20,730)
	886,863	-	(79,031)	-	807,832	152,166	-	(52,570)	-	99,596
Net balance as at 31 December	1,151,201	595	-	-	1,151,796	265,952	32	-	-	265,984
Closing insurance contract liabilities	1,151,230	595	-	-	1,151,825	265,952	32	-	-	265,984
Closing insurance contract assets	(29)	-	-	-	(29)	-	-	-	-	-
Net balance as at 31 December	1,151,201	595	-	-	1,151,796	265,952	32	-	-	265,984

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.3 Reconciliation of insurance contract assets and liabilities by components for contracts measured under GMM & VFA *(continued)*

a) Property & casualty	31 December 2023				31 December 2022			
	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total
	SAR '000				SAR '000			
Opening insurance contract liabilities	-	9,755	191,981	201,736	-	2,311	83,939	86,250
Opening insurance contract assets	(27,188)	-	-	(27,188)	(11,333)	-	-	(11,333)
Net balance as at 1 January	(27,188)	9,755	191,981	174,548	(11,333)	2,311	83,939	74,917
Changes that relate to current service								
CSM recognised for the services received	-	-	(169,618)	(169,618)	-	-	(23,503)	(23,503)
Change in the risk adjustment for the risk expired	-	(2,394)	-	(2,394)	-	2,372	-	2,372
Experience adjustments	(8,922)	-	-	(8,922)	(65,579)	-	-	(65,579)
	(8,922)	(2,394)	(169,618)	(180,934)	(65,579)	2,372	(23,503)	(86,710)
Changes that relate to future service								
Changes in estimates that adjust the CSM	11,917	521	(11,568)	870	25,650	2,894	(28,901)	(357)
Changes in estimates that result in onerous contract losses or reversal of losses	192	23	-	215	102	-	-	102
Contracts initially recognised in the period	(139,427)	188	139,239	-	(108,972)	2,196	106,776	-
Experience adjustments	(20,350)	-	19,480	(870)	(50,921)	-	51,278	357
	(147,668)	732	147,151	215	(134,141)	5,090	129,153	102
Changes that relate to past service								
Changes relating to liabilities for incurred claims	77,794	6,653	-	84,447	4,451	(18)	-	4,433
Experience adjustments	-	-	-	-	-	-	-	-
	77,794	6,653	-	84,447	4,451	(18)	-	4,433
Insurance service result	(78,796)	4,991	(22,467)	(96,272)	(195,269)	7,444	105,650	(82,175)
Finance expenses from insurance contracts issued	(3,361)	744	13,151	10,534	(516)	-	2,392	1,876
Total amounts recognised in statement of income	(82,157)	5,735	(9,316)	(85,738)	(195,785)	7,444	108,042	(80,299)
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums received	154,825	-	-	154,825	191,772	-	-	191,772
Claims paid	(8,582)	-	-	(8,582)	(6,953)	-	-	(6,953)
Directly attributable non- acquisition expenses paid	(3,186)	-	-	(3,186)	(1,019)	-	-	(1,019)
Insurance acquisition cash flows	(2,543)	-	-	(2,543)	(3,870)	-	-	(3,870)
	140,514	-	-	140,514	179,930	-	-	179,930
Net balance as at 31 December	31,169	15,490	182,665	229,324	(27,188)	9,755	191,981	174,548
Closing insurance contract liabilities	31,169	15,490	182,665	229,324	-	9,755	191,981	201,736
Closing insurance contract assets	-	-	-	-	(27,188)	-	-	(27,188)
Net balance as at 31 December	31,169	15,490	182,665	229,324	(27,188)	9,755	191,981	174,548

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.1 Movements in insurance contract balances *(continued)*

7.1.3 Reconciliation of insurance contract assets and liabilities by components for contracts measured under GMM & VFA *(continued)*

b) Protection & savings

	31 December 2023				31 December 2022			
	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total
	SAR '000				SAR '000			
Opening insurance contract liabilities	187,053	10,801	68,183	266,037	151,996	14,376	65,217	231,589
Opening insurance contract assets	(53)	-	-	(53)	-	-	-	-
Net balance as at 1 January	187,000	10,801	68,183	265,984	151,996	14,376	65,217	231,589
Changes that relate to current service								
CSM recognised for the services received	-	-	(5,558)	(5,558)	-	-	(2,443)	(2,443)
Change in the risk adjustment for the risk expired	-	(12,222)	-	(12,222)	-	(10,175)	-	(10,175)
Experience adjustments	(18,841)	-	-	(18,841)	(18,774)	-	-	(18,774)
	(18,841)	(12,222)	(5,558)	(36,621)	(18,774)	(10,175)	(2,443)	(31,392)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(19,283)	8,008	11,276	1	(42,163)	6,156	36,044	37
Changes in estimates that result in onerous contract losses or reversal of losses	2,137	(1,557)	-	580	(9)	9	-	-
Contracts initially recognised in the period	(227,737)	15,119	212,618	-	(12,461)	2,937	9,524	-
Experience adjustments	108,455	-	(108,455)	-	22,917	-	(22,917)	-
	(136,428)	21,570	115,439	581	(31,716)	9,102	22,651	37
Changes that relate to past service								
Changes relating to liabilities for incurred claims	-	-	-	-	-	-	-	-
Experience adjustments	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Insurance service result	(155,269)	9,348	109,881	(36,040)	(50,490)	(1,073)	20,208	(31,355)
Finance expenses from insurance contracts issued	(14,529)	1,165	127,386	114,022	9,898	(2,502)	(17,242)	(9,846)
Total amounts recognised in statement of income	(169,798)	10,513	237,267	77,982	(40,592)	(3,575)	2,966	(41,201)
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums received	993,856	-	-	993,856	148,896	-	-	148,896
Claims paid	(73,881)	-	-	(73,881)	(48,360)	-	-	(48,360)
Directly attributable non- acquisition expenses paid	(5,151)	-	-	(5,151)	(4,210)	-	-	(4,210)
Insurance acquisition cash flows	(106,965)	-	-	(106,965)	(20,730)	-	-	(20,730)
	807,859	-	-	807,859	75,596	-	-	75,596
Net balance as at 31 December	825,061	21,314	305,450	1,151,825	187,000	10,801	68,183	265,984
Closing insurance contract liabilities	825,126	21,314	305,450	1,151,890	187,053	10,801	68,183	266,037
Closing insurance contract assets	(65)	-	-	(65)	(53)	-	-	(53)
Net balance as at 31 December	825,061	21,314	305,450	1,151,825	187,000	10,801	68,183	265,984

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts

7.2.1 Retakaful / reinsurance contracts measured under measured under GMM

	31 December 2023					31 December 2022				
	ARC		AIC			ARC		AIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening retakaful / reinsurance contract assets	25,340	32	296,258	31,353	352,983	123,504	-	263,574	44,293	431,371
Opening retakaful / reinsurance contract liabilities	(5,329)	-	-	-	(5,329)	(125,157)	-	-	-	(125,157)
Net balance as at 1 January	20,011	32	296,258	31,353	347,654	(1,653)	-	263,574	44,293	306,214
Allocation of retakaful / reinsurance contributions										
Expected amount of claim recoverable in the year	(193,715)	-	-	-	(193,715)	(101,005)	-	-	-	(101,005)
Change in risk adjustment for non-financial risk	(18,393)	-	-	-	(18,393)	(26,800)	-	-	-	(26,800)
CSM recognised for services received	(614,893)	-	-	-	(614,893)	(511,693)	-	-	-	(511,693)
Reversal of loss recovery that does not adjust CSM	16	-	-	-	16	1	-	-	-	1
Experience adjustments for premium paid	-	-	-	-	-	175,119	-	-	-	175,119
	(826,985)	-	-	-	(826,985)	(464,378)	-	-	-	(464,378)
Amounts recoverable from retakaful / reinsurance										
Incurred claims and other expenses	-	-	260,370	13,750	274,120	-	-	219,309	18,970	238,279
Changes in amounts recoverable on incurred claims	-	-	154,345	20,172	174,517	-	-	(125,081)	(32,387)	(157,468)
Loss recovery / (reversals) for onerous contracts	-	595	-	-	595	-	31	-	-	31
Change in provision for risk of non-performance	-	-	-	-	-	-	-	(658)	-	(658)
	-	595	414,715	33,922	449,232	-	31	93,570	(13,417)	80,184
Insurance service result	(826,985)	595	414,715	33,922	(377,753)	(464,378)	31	93,570	(13,417)	(384,194)
Finance expenses from insurance contracts issued	19,464	-	6,653	2,445	28,562	6,006	1	171	477	6,655
Total amounts recognised in statement of income	(807,521)	595	421,368	36,367	(349,191)	(458,372)	32	93,741	(12,940)	(377,539)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums paid net of ceding commissions	596,988	-	-	-	596,988	480,036	-	-	-	480,036
Claims and other recoveries	-	-	(145,682)	-	(145,682)	-	-	(61,057)	-	(61,057)
	596,988	-	(145,682)	-	451,306	480,036	-	(61,057)	-	418,979
Net balance as at 31 December	(190,522)	627	571,944	67,720	449,769	20,011	32	296,258	31,353	347,654
Closing retakaful / reinsurance contract assets	-	627	577,777	67,720	646,124	25,340	32	296,258	31,353	352,983
Closing retakaful / reinsurance contract liabilities	(190,522)	-	(5,833)	-	(196,355)	(5,329)	-	-	-	(5,329)
Net balance as at 31 December	(190,522)	627	571,944	67,720	449,769	20,011	32	296,258	31,353	347,654

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.1 Retakaful / reinsurance contracts measured under measured under GMM *(continued)*

a) Motor

	31 December 2023					31 December 2022				
	ARC		AIC			ARC		AIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening retakaful / reinsurance contract assets	2	-	10,882	980	11,864	-	-	10,909	873	11,782
Opening retakaful / reinsurance contract liabilities	-	-	-	-	-	(490)	-	-	-	(490)
Net balance as at 1 January	2	-	10,882	980	11,864	(490)	-	10,909	873	11,292
Allocation of retakaful / reinsurance contributions										
Expected amount of claim recoverable in the year	-	-	-	-	-	2,294	-	-	-	2,294
Change in risk adjustment for non-financial risk	-	-	-	-	-	184	-	-	-	184
CSM recognised for services received	(13,052)	-	-	-	(13,052)	(9,623)	-	-	-	(9,623)
Reversal of loss recovery that does not adjust CSM	-	-	-	-	-	-	-	-	-	-
Experience adjustments for premium paid	-	-	-	-	-	(2,268)	-	-	-	(2,268)
	(13,052)	-	-	-	(13,052)	(9,413)	-	-	-	(9,413)
Amounts recoverable from retakaful / reinsurance										
Incurred claims and other expenses	-	-	(314)	-	(314)	-	-	2,422	(1)	2,421
Changes in amounts recoverable on incurred claims	-	-	(245)	231	(14)	-	-	(62)	97	35
Loss recovery / (reversals) for onerous contracts	-	-	-	-	-	-	-	-	-	-
Change in provision for risk of non-performance	-	-	-	-	-	-	-	(12)	-	(12)
	-	-	(559)	231	(328)	-	-	2,348	96	2,444
Insurance service result	(13,052)	-	(559)	231	(13,380)	(9,413)	-	2,348	96	(6,969)
Finance expenses from insurance contracts issued	(284)	-	97	70	(117)	79	-	64	11	154
Total amounts recognised in statement of income	(13,336)	-	(462)	301	(13,497)	(9,334)	-	2,412	107	(6,815)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums paid net of ceding commissions	7,342	-	-	-	7,342	9,826	-	-	-	9,826
Claims and other recoveries	-	-	314	-	314	-	-	(2,439)	-	(2,439)
	7,342	-	314	-	7,656	9,826	-	(2,439)	-	7,387
Net balance as at 31 December	(5,992)	-	10,734	1,281	6,023	2	-	10,882	980	11,864
Closing retakaful / reinsurance contract assets	-	-	10,734	1,281	12,015	2	-	10,882	980	11,864
Closing retakaful / reinsurance contract liabilities	(5,992)	-	-	-	(5,992)	-	-	-	-	-
Net balance as at 31 December	(5,992)	-	10,734	1,281	6,023	2	-	10,882	980	11,864

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.1 Retakaful / reinsurance contracts measured under measured under GMM *(continued)*

b) Medical / Health

	31 December 2023					31 December 2022				
	ARC		AIC			ARC		AIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening retakaful / reinsurance contract assets	-	-	-	-	-	-	-	-	-	-
Opening retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-	-	-
Net balance as at 1 January	-	-	-	-	-	-	-	-	-	-
Allocation of retakaful / reinsurance contributions										
Expected amount of claim recoverable in the year	-	-	-	-	-	-	-	-	-	-
Change in risk adjustment for non-financial risk	-	-	-	-	-	-	-	-	-	-
CSM recognised for services received	-	-	-	-	-	-	-	-	-	-
Reversal of loss recovery that does not adjust CSM	-	-	-	-	-	-	-	-	-	-
Experience adjustments for premium paid	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Amounts recoverable from retakaful / reinsurance										
Incurred claims and other expenses	-	-	-	-	-	-	-	-	-	-
Changes in amounts recoverable on incurred claims	-	-	-	-	-	-	-	-	-	-
Loss recovery / (reversals) for onerous contracts	-	-	-	-	-	-	-	-	-	-
Change in provision for risk of non-performance	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Insurance service result	-	-	-	-	-	-	-	-	-	-
Finance expenses from insurance contracts issued	-	-	-	-	-	-	-	-	-	-
Total amounts recognised in statement of income	-	-	-	-	-	-	-	-	-	-
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums paid net of ceding commissions	-	-	-	-	-	-	-	-	-	-
Claims and other recoveries	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Net balance as at 31 December	-	-	-	-	-	-	-	-	-	-
Closing retakaful / reinsurance contract assets	-	-	-	-	-	-	-	-	-	-
Closing retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-	-	-
Net balance as at 31 December	-	-	-	-	-	-	-	-	-	-

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.1 Retakaful / reinsurance contracts measured under measured under GMM *(continued)*

c) Property & casualty

	31 December 2023					31 December 2022				
	ARC		AIC			ARC		AIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening retakaful / reinsurance contract assets	25,338	-	179,839	22,034	227,211	123,504	-	122,988	33,045	279,537
Opening retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-	-	-
Net balance as at 1 January	25,338	-	179,839	22,034	227,211	123,504	-	122,988	33,045	279,537
Allocation of retakaful / reinsurance contributions										
Expected amount of claim recoverable in the year	(113,638)	-	-	-	(113,638)	(103,016)	-	-	-	(103,016)
Change in risk adjustment for non-financial risk	(12,061)	-	-	-	(12,061)	(26,961)	-	-	-	(26,961)
CSM recognised for services received	(610,021)	-	-	-	(610,021)	(489,500)	-	-	-	(489,500)
Reversal of loss recovery that does not adjust CSM	-	-	-	-	-	-	-	-	-	-
Experience adjustments for premium paid	-	-	-	-	-	187,243	-	-	-	187,243
	(735,720)	-	-	-	(735,720)	(432,234)	-	-	-	(432,234)
Amounts recoverable from retakaful / reinsurance										
Incurred claims and other expenses	-	-	207,387	8,379	215,766	-	-	155,406	14,851	170,257
Changes in amounts recoverable on incurred claims	-	-	209,813	26,050	235,863	-	-	(78,272)	(26,186)	(104,458)
Loss recovery / (reversals) for onerous contracts	-	-	-	-	-	-	-	-	-	-
Change in provision for risk of non-performance	-	-	-	-	-	-	-	(625)	-	(625)
	-	-	417,200	34,429	451,629	-	-	76,509	(11,335)	65,174
Insurance service result	(735,720)	-	417,200	34,429	(284,091)	(432,234)	-	76,509	(11,335)	(367,060)
Finance expenses from insurance contracts issued	17,992	-	5,331	1,765	25,088	4,482	-	(148)	324	4,658
Total amounts recognised in statement of income	(717,728)	-	422,531	36,194	(259,003)	(427,752)	-	76,361	(11,011)	(362,402)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums paid	538,801	-	-	-	538,801	329,586	-	-	-	329,586
Claims and other recoveries	-	-	(136,739)	-	(136,739)	-	-	(19,510)	-	(19,510)
	538,801	-	(136,739)	-	402,062	329,586	-	(19,510)	-	310,076
Net balance as at 31 December	(153,589)	-	465,631	58,228	370,270	25,338	-	179,839	22,034	227,211
Closing retakaful / reinsurance contract assets	-	-	471,464	58,228	529,692	25,338	-	179,839	22,034	227,211
Closing retakaful / reinsurance contract liabilities	(153,589)	-	(5,833)	-	(159,422)	-	-	-	-	-
Net balance as at 31 December	(153,589)	-	465,631	58,228	370,270	25,338	-	179,839	22,034	227,211

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.1 Retakaful / reinsurance contracts measured under measured under GMM *(continued)*

d) Protection & savings

	31 December 2023					31 December 2022				
	ARC		AIC			ARC		AIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risks	Total
	SAR '000					SAR '000				
Opening retakaful / reinsurance contract assets	-	32	105,537	8,339	113,908	-	-	129,677	10,375	140,052
Opening retakaful / reinsurance contract liabilities	(5,329)	-	-	-	(5,329)	(124,667)	-	-	-	(124,667)
Net balance as at 1 January	(5,329)	32	105,537	8,339	108,579	(124,667)	-	129,677	10,375	15,385
Allocation of retakaful / reinsurance contributions										
Expected amount of claim recoverable in the year	(80,077)	-	-	-	(80,077)	(283)	-	-	-	(283)
Change in risk adjustment for non-financial risk	(6,332)	-	-	-	(6,332)	(23)	-	-	-	(23)
CSM recognised for services received	8,180	-	-	-	8,180	(12,570)	-	-	-	(12,570)
Reversal of loss recovery that does not adjust CSM	16	-	-	-	16	1	-	-	-	1
Experience adjustments for premium paid	-	-	-	-	-	(9,856)	-	-	-	(9,856)
	(78,213)	-	-	-	(78,213)	(22,731)	-	-	-	(22,731)
Amounts recoverable from retakaful / reinsurance										
Incurred claims and other expenses	-	-	53,297	5,371	58,668	-	-	61,481	4,120	65,601
Changes in amounts recoverable on incurred claims	-	-	(55,223)	(6,109)	(61,332)	-	-	(46,747)	(6,298)	(53,045)
Loss recovery / (reversals) for onerous contracts	-	595	-	-	595	-	31	-	-	31
Change in provision for risk of non-performance	-	-	-	-	-	-	-	(21)	-	(21)
	-	595	(1,926)	(738)	(2,069)	-	31	14,713	(2,178)	12,566
Insurance service result	(78,213)	595	(1,926)	(738)	(80,282)	(22,731)	31	14,713	(2,178)	(10,165)
Finance expenses from insurance contracts issued	1,756	-	1,225	610	3,591	1,445	1	255	142	1,843
Total amounts recognised in statement of income	(76,457)	595	(701)	(128)	(76,691)	(21,286)	32	14,968	(2,036)	(8,322)
Investment components	-	-	-	-	-	-	-	-	-	-
Cash flows										
Premiums paid	50,845	-	-	-	50,845	140,624	-	-	-	140,624
Claims and other recoveries	-	-	(9,257)	-	(9,257)	-	-	(39,108)	-	(39,108)
	50,845	-	(9,257)	-	41,588	140,624	-	(39,108)	-	101,516
Net balance as at 31 December	(30,941)	627	95,579	8,211	73,476	(5,329)	32	105,537	8,339	108,579
Closing retakaful / reinsurance contract assets	-	627	95,579	8,211	104,417	-	32	105,537	8,339	113,908
Closing retakaful / reinsurance contract liabilities	(30,941)	-	-	-	(30,941)	(5,329)	-	-	-	(5,329)
Net balance as at 31 December	(30,941)	627	95,579	8,211	73,476	(5,329)	32	105,537	8,339	108,579

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.2 Reconciliation of retakaful / reinsurance contract assets and liabilities by components for contracts measured under GMM & VFA

	31 December 2023				31 December 2022			
	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total
	SAR '000				SAR '000			
Opening retakaful / reinsurance contract assets	72,174	34,917	241,639	348,730	133,635	71,757	101,387	306,779
Opening retakaful / reinsurance contract liabilities	-	-	-	-	(107)	-	-	(107)
Net balance as at 1 January	72,174	34,917	241,639	348,730	133,528	71,757	101,387	306,672
Changes that relate to current service								
CSM recognised for the services received	-	-	(614,893)	(614,893)	-	-	(511,693)	(511,693)
Change in risk adjustment for non-financial risk	-	(4,644)	-	(4,644)	-	(7,830)	-	(7,830)
Experience adjustments	66,656	-	-	66,656	118,304	-	-	118,304
	66,656	(4,644)	(614,893)	(552,881)	118,304	(7,830)	(511,693)	(401,219)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(60,888)	(6,591)	70,522	3,043	14,499	(930)	(12,397)	1,172
Contracts initially recognised during the year	(396,943)	28,819	368,124	-	(441,833)	3,875	437,958	-
Reversal of loss-recovery component	-	-	611	611	-	-	(5)	(5)
Changes that do not adjust the CSM	-	-	-	-	-	-	-	
Experience adjustments	(293,131)	-	290,089	(3,042)	(222,876)	-	221,703	(1,173)
	(750,962)	22,228	729,346	612	(650,210)	2,945	647,259	(6)
Changes that relate to past service								
Changes in amounts recoverable on incurred claims	154,345	20,172	-	174,517	(125,081)	(32,387)	-	(157,468)
Experience adjustments	-	-	-	-	175,119	-	-	175,119
Change in provision for risk of non-performance	-	-	-	-	-	-	-	-
	154,345	20,172	-	174,517	50,038	(32,387)	-	17,651
Insurance service result	(529,961)	37,756	114,453	(377,752)	(481,868)	(37,272)	135,566	(383,574)
Finance income from retakaful / reinsurance contract held	14,815	2,701	11,046	28,562	1,535	432	4,686	6,653
Total amounts recognised in statement of income	(515,146)	40,457	125,499	(349,190)	(480,333)	(36,840)	140,252	(376,921)
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid	596,987	-	-	596,987	480,035	-	-	480,035
Claims and other recoveries	(145,681)	-	-	(145,681)	(61,056)	-	-	(61,056)
	451,306	-	-	451,306	418,979	-	-	418,979
Net balance as at 31 December	8,334	75,374	367,138	450,846	72,174	34,917	241,639	348,730
Closing retakaful / reinsurance contract assets	18,440	75,374	367,138	460,952	72,174	34,917	241,639	348,730
Closing retakaful / reinsurance contract liabilities	(10,106)	-	-	(10,106)	-	-	-	-
Net balance as at 31 December	8,334	75,374	367,138	450,846	72,174	34,917	241,639	348,730

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.2 Reconciliation of retakaful / reinsurance contract assets and liabilities by components for contracts measured under GMM & VFA

a) Motor

	31 December 2023				31 December 2022			
	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total
	SAR '000				SAR '000			
Opening retakaful / reinsurance contract assets	10,903	981	-	11,884	10,428	873	-	11,301
Opening retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-
Net balance as at 1 January	10,903	981	-	11,884	10,428	873	-	11,301
Changes that relate to current service								
CSM recognised for the services received	-	-	(13,052)	(13,052)	-	-	(9,623)	(9,623)
Change in risk adjustment for non-financial risk	-	-	-	-	-	182	-	182
Experience adjustments	(314)	-	-	(314)	4,716	-	-	4,716
	(314)	-	(13,052)	(13,366)	4,716	182	(9,623)	(4,725)
Changes that relate to future service								
Changes in estimates that adjust the CSM	-	-	41	41	(2,278)	(182)	2,460	-
Contracts initially recognised during the year	(7,006)	-	7,006	-	(7,059)	-	7,059	-
Reversal of loss-recovery component	-	-	-	-	-	-	-	-
Changes that do not adjust the CSM	-	-	-	-	-	-	-	
Experience adjustments	(6,321)	-	6,279	(42)	-	-	-	-
	(13,327)	-	13,326	(1)	(9,337)	(182)	9,519	-
Changes that relate to past service								
Changes in amounts recoverable on incurred claims	(245)	231	-	(14)	(62)	97	-	35
Experience adjustments	-	-	-	-	(2,268)	-	-	(2,268)
Change in provision for risk of non-performance	-	-	-	-	-	-	-	-
	(245)	231	-	(14)	(2,330)	97	-	(2,233)
Insurance service result	(13,886)	231	274	(13,381)	(6,951)	97	(104)	(6,958)
Finance income from retakaful / reinsurance contract held	87	70	(274)	(117)	38	11	104	153
Total amounts recognised in statement of income	(13,799)	301	-	(13,498)	(6,913)	108	-	(6,805)
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid	7,342	-	-	7,342	9,826	-	-	9,826
Claims and other recoveries	314	-	-	314	(2,439)	-	-	(2,439)
	7,656	-	-	7,656	7,387	-	-	7,387
Net balance as at 31 December	4,760	1,282	-	6,042	10,902	981	-	11,883
Closing retakaful / reinsurance contract assets	4,760	1,282	-	6,042	10,902	981	-	11,883
Closing retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-
Net balance as at 31 December	4,760	1,282	-	6,042	10,902	981	-	11,883

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.2 Reconciliation of retakaful / reinsurance contract assets and liabilities by components for contracts measured under GMM & VFA

b) Medical / Health

	31 December 2023				31 December 2022			
	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total
	SAR '000				SAR '000			
Opening retakaful / reinsurance contract assets	-	-	-	-	-	-	-	-
Opening retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-
Net balance as at 1 January	-	-	-	-	-	-	-	-
Changes that relate to current service								
CSM recognised for the services received	-	-	-	-	-	-	-	-
Change in risk adjustment for non-financial risk	-	-	-	-	-	-	-	-
Experience adjustments	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Changes that relate to future service								
Changes in estimates that adjust the CSM	-	-	-	-	-	-	-	-
Contracts initially recognised during the year	-	-	-	-	-	-	-	-
Reversal of loss-recovery component	-	-	-	-	-	-	-	-
Changes that do not adjust the CSM	-	-	-	-	-	-	-	-
Experience adjustments	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Changes that relate to past service								
Changes in amounts recoverable on incurred claims	-	-	-	-	-	-	-	-
Experience adjustments	-	-	-	-	-	-	-	-
Change in provision for risk of non-performance	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Insurance service result	-	-	-	-	-	-	-	-
Finance income from retakaful / reinsurance contract held	-	-	-	-	-	-	-	-
Total amounts recognised in statement of income	-	-	-	-	-	-	-	-
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid	-	-	-	-	-	-	-	-
Claims and other recoveries	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Net balance as at 31 December	-	-	-	-	-	-	-	-
Closing retakaful / reinsurance contract assets	-	-	-	-	-	-	-	-
Closing retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-
Net balance as at 31 December	-	-	-	-	-	-	-	-

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.2 Reconciliation of retakaful / reinsurance contract assets and liabilities by components for contracts measured under GMM & VFA

c) Property & casualty

	31 December 2023				31 December 2022			
	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total
	SAR '000				SAR '000			
Opening retakaful / reinsurance contract assets	(36,262)	24,968	239,564	228,270	127,288	59,699	93,091	280,078
Opening retakaful / reinsurance contract liabilities	-	-	-	-	(107)	-	-	(107)
Net balance as at 1 January	(36,262)	24,968	239,564	228,270	127,181	59,699	93,091	279,971
Changes that relate to current service								
CSM recognised for the services received	-	-	(610,021)	(610,021)	-	-	(489,500)	(489,500)
Change in risk adjustment for non-financial risk	-	(3,683)	-	(3,683)	-	(12,110)	-	(12,110)
Experience adjustments	93,750	-	-	93,750	52,390	-	-	52,390
	93,750	(3,683)	(610,021)	(519,954)	52,390	(12,110)	(489,500)	(449,220)
Changes that relate to future service								
Changes in estimates that adjust the CSM	(66,354)	(6,969)	77,108	3,785	16,497	(603)	(15,031)	863
Contracts initially recognised during the year	(350,005)	18,917	331,088	-	(424,849)	3,616	421,233	-
Reversal of loss-recovery component	-	-	-	-	-	-	-	-
Changes that do not adjust the CSM	-	-	-	-	-	-	-	
Experience adjustments	(292,924)	-	289,138	(3,786)	(226,041)	-	225,178	(863)
	(709,283)	11,948	697,334	(1)	(634,393)	3,013	631,380	-
Changes that relate to past service								
Changes in amounts recoverable on incurred claims	209,813	26,050	-	235,863	(78,272)	(26,186)	-	(104,458)
Experience adjustments	-	-	-	-	187,243	-	-	187,243
Change in provision for risk of non-performance	-	-	-	-	-	-	-	-
	209,813	26,050	-	235,863	108,971	(26,186)	-	82,785
Insurance service result	(405,720)	34,315	87,313	(284,092)	(473,032)	(35,283)	141,880	(366,435)
Finance income from retakaful / reinsurance contract held	11,259	2,624	11,204	25,087	(487)	552	4,593	4,658
Total amounts recognised in statement of income	(394,461)	36,939	98,517	(259,005)	(473,519)	(34,731)	146,473	(361,777)
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid	538,801	-	-	538,801	329,586	-	-	329,586
Claims and other recoveries	(136,739)	-	-	(136,739)	(19,510)	-	-	(19,510)
	402,062	-	-	402,062	310,076	-	-	310,076
Net balance as at 31 December	(28,661)	61,907	338,081	371,327	(36,262)	24,968	239,564	228,270
Closing retakaful / reinsurance contract assets	-	61,907	338,081	399,988	-	24,968	239,564	264,532
Closing retakaful / reinsurance contract liabilities	(28,661)	-	-	(28,661)	(36,262)	-	-	(36,262)
Net balance as at 31 December	(28,661)	61,907	338,081	371,327	(36,262)	24,968	239,564	228,270

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.2 Movements in retakaful / reinsurance contracts *(continued)*

7.2.2 Reconciliation of retakaful / reinsurance contract assets and liabilities by components for contracts measured under GMM & VFA

d) Protection & savings

	31 December 2023				31 December 2022			
	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total	Present value of future cash flows	Risk adjustment for non-financial risks	Contractual Service Margin	Total
	SAR '000				SAR '000			
Opening retakaful / reinsurance contract assets	97,531	8,969	2,077	108,577	(4,081)	11,185	8,296	15,400
Opening retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-
Net balance as at 1 January	97,531	8,969	2,077	108,577	(4,081)	11,185	8,296	15,400
Changes that relate to current service								
CSM recognised for the services received	-	-	8,180	8,180	-	-	(12,570)	(12,570)
Change in risk adjustment for non-financial risk	-	(961)	-	(961)	-	4,098	-	4,098
Experience adjustments	(26,779)	-	-	(26,779)	61,197	-	-	61,197
	(26,779)	(961)	8,180	(19,560)	61,197	4,098	(12,570)	52,725
Changes that relate to future service								
Changes in estimates that adjust the CSM	5,466	377	(6,628)	(785)	279	(145)	174	308
Contracts initially recognised during the year	(39,932)	9,902	30,031	1	(9,926)	259	9,667	-
Reversal of loss-recovery component	-	-	611	611	-	-	(5)	(5)
Changes that do not adjust the CSM	-	-	-	-	-	-	-	-
Experience adjustments	6,114	-	(5,329)	785	3,165	-	(3,474)	(309)
	(28,352)	10,279	18,685	612	(6,482)	114	6,362	(6)
Changes that relate to past service								
Changes in amounts recoverable on incurred claims	(55,223)	(6,109)	-	(61,332)	(46,747)	(6,298)	-	(53,045)
Experience adjustments	-	-	-	-	(9,856)	-	-	(9,856)
Change in provision for risk of non-performance	-	-	-	-	-	-	-	-
	(55,223)	(6,109)	-	(61,332)	(56,603)	(6,298)	-	(62,901)
Insurance service result	(110,354)	3,209	26,865	(80,280)	(1,888)	(2,086)	(6,208)	(10,182)
Finance income from retakaful / reinsurance contract held	3,469	6	116	3,591	1,984	(130)	(11)	1,843
Total amounts recognised in statement of income	(106,885)	3,215	26,981	(76,689)	96	(2,216)	(6,219)	(8,339)
Investment components	-	-	-	-	-	-	-	-
Cash flows								
Premiums paid	50,845	-	-	50,845	140,624	-	-	140,624
Claims and other recoveries	(9,257)	-	-	(9,257)	(39,108)	-	-	(39,108)
	41,588	-	-	41,588	101,516	-	-	101,516
Net balance as at 31 December	32,234	12,184	29,058	73,476	97,531	8,969	2,077	108,577
Closing retakaful / reinsurance contract assets	32,234	12,184	29,058	73,476	97,531	8,969	2,077	108,577
Closing retakaful / reinsurance contract liabilities	-	-	-	-	-	-	-	-
Net balance as at 31 December	32,234	12,184	29,058	73,476	97,531	8,969	2,077	108,577

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.3 Impact of contracts recognized in the year for contracts measured under GMM / VFA

7.3.1 Impact on insurance contract liabilities

	Contracts written by the Company		
	31 December 2023		
	Non-onerous contracts originated	**Onerous contracts originated**	**Total**
	SAR '000		
Estimates of the present value of future cash outflows			
- insurance acquisition costs	170,954	-	170,954
- claims incurred	3,111,698	-	3,111,698
- directly attributable non-acquisition expenses	72,969	-	72,969
- premium tax payable	2,205	-	2,205
	3,357,826	-	3,357,826
Estimates of the present value of future cash inflows	(3,724,990)	-	(3,724,990)
Risk adjustment for non-financial risk	15,307	-	15,307
CSM	351,857	-	351,857
Increase in insurance contract liabilities	-	-	-

	Contracts written by the Company		
	31 December 2022		
	Non-onerous contracts originated	Onerous contracts originated	Total
	SAR '000		
Estimates of the present value of future cash outflows			
- insurance acquisition costs	44,145	-	44,145
- claims incurred	424,931	-	424,931
- directly attributable non-acquisition expenses	28,139	-	28,139
- premium tax payable	698	-	698
	497,913	-	497,913
Estimates of the present value of future cash inflows	(619,346)	-	(619,346)
Risk adjustment for non-financial risk	5,133	-	5,133
CSM	116,300	-	116,300
Increase in insurance contract liabilities	-	-	-

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.3 Impact of contracts recognized in the year for contracts measured under GMM / VFA *(continued)*

7.3.2 Impact on retakaful / reinsurance contract assets

	Contracts held by the Company		
	31 December 2023		
	Non-onerous contracts originated	**Onerous contracts originated**	**Total**
	SAR '000		
Estimates of the present value of future cash outflows	173,975	123,241	297,216
Estimates of the present value of future cash inflows	(530,986)	(163,173)	(694,159)
Risk adjustment for non-financial risk	18,917	9,902	28,819
CSM	-	30,030	30,030
Increase in retakaful / reinsurance contract assets	(338,094)	-	(338,094)

	Contracts held by the Company		
	31 December 2022		
	Non-onerous contracts originated	Onerous contracts originated	Total
	SAR '000		
Estimates of the present value of future cash outflows	23,978	1,005	24,983
Estimates of the present value of future cash inflows	(465,074)	(1,742)	(466,816)
Risk adjustment for non-financial risk	3,616	259	3,875
CSM	-	478	478
Increase in retakaful / reinsurance contract assets	(437,480)	-	(437,480)

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.4 Insurance revenue and the CSM by transition method for contracts measured under GMM / VFA

	31 December 2023			
	New contracts and contracts measured under the full retrospective approach at transition	**Contracts measured under the modified retrospective approach at transition**	**Contracts measured under the fair value approach at transition**	**Total**
	SAR '000			
Insurance revenue	(236,070)	(9,160)	-	**(245,230)**
Opening CSM as of 1 January	217,748	42,415	-	260,163
CSM recognised for the services provided	(173,334)	(1,842)	-	(175,176)
Changes in estimates that adjust the CSM	28,952	(29,244)	-	(292)
Contracts initially recognised in the period	351,857	-	-	351,857
Experience adjustments	(80,752)	(8,222)	-	(88,974)
	126,723	(39,308)	-	87,415
Finance expenses from insurance contracts issued	114,321	26,216	-	140,537
Total amounts recognised as income	241,044	(13,092)	-	227,952
Closing CSM as of 31 December	458,792	29,323	-	488,115

	31 December 2022			
	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
	SAR '000			
Insurance revenue	(145,593)	(12,048)	-	(157,641)
Opening CSM as of 1 January	108,685	40,471	-	149,156
CSM recognised for the services provided	(23,929)	(2,017)	-	(25,946)
Changes in estimates that adjust the CSM	(17,575)	24,718	-	7,143
Contracts initially recognised in the period	116,300	-	-	116,300
Experience adjustments	38,520	(10,159)	-	28,361
	113,316	12,542	-	125,858
Finance expenses from insurance contracts issued	(4,252)	(10,598)	-	(14,850)
Total amounts recognised as income	109,064	1,944	-	111,008
Closing CSM as of 31 December	217,749	42,415	-	260,164

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

7. Insurance and retakaful / reinsurance contracts *(continued)*

7.5 Expected recognition of the contractual service margin for contracts measured under GMM / VFA

	31 December 2023							
Number of years until expected to be recognized	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**6 to 10 years**	**More than 10 years**	**Total**
	SAR '000							
Insurance contracts issued								
Property & casualty	**116,412**	**39,511**	**15,842**	**10,900**	**-**	**-**	**-**	**182,665**
Protection & savings	**19,667**	**19,788**	**265,995**	**-**	**-**	**-**	**-**	**305,450**
Total CSM for insurance contracts issued	**136,079**	**59,299**	**281,837**	**10,900**	**-**	**-**	**-**	**488,115**
Retakaful contracts held								
Motor	-	-	-	-	-	-	-	-
Medical / Health	-	-	-	-	-	-	-	-
Property & casualty	**(83,939)**	**(211,931)**	**(15,324)**	**(26,889)**	**-**	**-**	**-**	**(338,083)**
Protection & savings	**85,302**	**(6,172)**	**(16,735)**	**(13,136)**	**(19,588)**	**(58,765)**	**-**	**(29,094)**
Total CSM for retakaful contracts held	**1,363**	**(218,103)**	**(32,059)**	**(40,025)**	**(19,588)**	**(58,765)**	**-**	**(367,177)**

	31 December 2022							
Number of years until expected to be recognized	1 year	2 years	3 years	4 years	5 years	6 to 10 years	More than 10 years	Total
	SAR '000							
Insurance contracts issued								
Property & casualty	104,394	79,825	7,762	-	-	-	-	191,981
Protection & savings	(1,332)	788	2,321	3,212	3,853	26,005	33,336	68,183
Total CSM for insurance contracts issued	103,062	80,613	10,083	3,212	3,853	26,005	33,336	260,164
Retakaful contracts held								
Motor	-	-	-	-	-	-	-	-
Medical / Health	-	-	-	-	-	-	-	-
Property & casualty	(76,962)	(179,264)	6,715	6,428	3,519	-	-	(239,564)
Protection & savings	(277)	(239)	(206)	(184)	(170)	(682)	(356)	(2,114)
Total CSM for retakaful contracts held	(77,239)	(179,503)	6,509	6,244	3,349	(682)	(356)	(241,678)

8. Prepayments and other assets

	31 December 2023	31 December 2022 Restated	1 January 2022 Restated
		SAR '000	
Advances and differed payments	**92,888**	14,311	20,278
Prepayments - Computer Software, workshop & others	**16,912**	20,151	6,258
Prepayment Medical Staff Policy	**15,823**	12,806	10,331
Input Tax	**12,682**	-	2,274
Others	**12,289**	6,434	4,450
	150,594	53,702	43,591

9. Statutory deposit

Statutory deposit amounting to SAR 100 million (31 December 2022: SAR 40 million) kept with a local bank, represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Insurance Authority. This statutory deposit cannot be withdrawn without the consent of SAMA. Under ECL method the Company charged an impairment loss amounting to SAR 0.026 million (31 December 2022: SAR 0.029 million)

10. Right-of-use assets

Following are the details of right-of-use assets recognised and the movements during the period:

	Leasehold Property	**Office Equipment**	**31 December 2023**	31 December 2022
		SAR '000		
Cost				
Opening	65,282	-	65,282	64,678
Additions	-	446	446	4,103
Disposals	(1,306)	-	(1,306)	(3,499)
Closing	63,976	446	64,422	65,282
Accumulated depreciation				
Opening	16,911	-	16,911	8,945
Depreciation for the year	6,563	446	7,009	8,403
Disposals	(163)	-	(163)	(437)
Closing	23,311	446	23,757	16,911
Net book value				
31 December 2023	40,665	-	40,665	
31 December 2022	48,371	-		48,371

11. Property and equipment, net

	Office and electrical equipment	Furniture and Fixtures	Motor vehicles	Computer hardware	Computer software	Digital Transformation	31 December 2023	31 December 2022
	SAR '000							
Cost								
Opening	2,147	50,753	1,719	6,569	48,867	37,349	147,404	129,599
Additions	114	253	-	10,676	15,205	33,855	60,103	28,877
Disposals	-	-	-	-	-	-	-	(11,072)
Closing	2,261	51,006	1,719	17,245	64,072	71,204	207,507	147,404
Accumulated depreciation								
Opening	1,324	16,336	1,719	1,253	36,940	8,791	66,363	46,383
Depreciation for the year	306	7,623	-	3,356	4,780	15,002	31,067	23,906
Disposals	-	-	-	-	-	-	-	(3,926)
Closing	1,630	23,959	1,719	4,609	41,720	23,793	97,430	66,363
Net book value								
31 December 2023	631	27,047	-	12,636	22,352	47,411	110,077	
31 December 2022	823	34,417	-	5,316	11,927	28,558		81,041

11.1 Digital transformation includes projects relating to implementation of new systems and digital platforms. These are depreciated over 3 to 5 years.

12. Payable, accruals and other liabilities

	31 December 2023	31 December 2022 Restated	1 January 2022 Restated
		SAR '000	
Payable to ZATCA	**38,952**	26,331	27,662
Withholding Tax	**17,908**	13,334	15,379
Accrued Expenses	**27,645**	9,992	8,294
Payable to vendors	**11,897**	6,992	7,301
Accrual for Staff related expenses	**19,886**	15,392	21,019
Others	**1,510**	1,330	2,593
	117,798	73,371	82,248

13. Provision for employee end of service benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	31 December 2023	31 December 2022
	SAR'000	
Present value of defined benefit obligation	**29,543**	22,812

13.1 Movement of defined benefit obligation

Opening balance	**22,812**	24,635
Charge to statement of income	**9,064**	4,673
Charge to statement of other comprehensive income	**489**	(1,904)
Payment of benefits during the year	**(2,822)**	(4,592)
Closing balance	**29,543**	22,812

13.2 Reconciliation of present value of defined benefit obligation

Present value of defined benefit obligation as of 1 January	**22,812**	24,635
Current service costs	**7,944**	3,533
Financial costs	**1,120**	1,140
Actuarial (loss)/ gain from experience adjustments	**489**	(1,904)
Benefits paid during the year	**(2,822)**	(4,592)
Present value of defined benefit obligation as of 31 December	**29,543**	22,812

13.3 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	31 December 2023	31 December 2022
Valuation discount rate	**4.55%**	4.00%
Expected rate of increase in salary level across different age bands	**4.00%**	4.00%

13. Employee end of service benefits *(continued)*

13.3 Principal actuarial assumptions *(continued)*

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	Impact on defined benefit obligation	
	31 December 2023	31 December 2022
	SAR'000	
Net discount rate		
Increase by 1%	**27,372**	21,778
Decrease by 1%	**32,056**	23,122
Future salary growth		
Increase by 1%	**32,045**	23,937
Decrease by 1%	**27,342**	26,267

14. Zakat

	31 December 2023	31 December 2022	1 January 2022
		SAR '000	
Opening balance	**49,925**	51,341	47,904
Provided during the year	**9,443**	10,250	24,158
Payments during the year	**(3,444)**	(11,666)	(20,721)
Closing balance	**55,924**	49,925	51,341

Status of assessments

The Company had filed zakat and income tax returns with the Zakat, Tax and Customs Authority ("ZATCA") for the years from 2010 to 2022.

ZATCA has issued assessments for the years 2015 to 2018, demanding an additional Zakat as assessed by them amounting to SAR 11.73 million pertains to these years. The Company paid an amount of SAR 1.42 million and has filed objections for SAR 10.07 million with the authority. Further, ZATCA issued initial assessment for the years 2019 & 2020, demanding additional assessed amount of SAR 10.03 million and SAR 12.10 million respectively. The company paid 10% of the assessed amounts and appealed against the additional assessed amounts in full for those years.

Based on the appeals and as per the update from tax consultant, the Company does not expect any negative outcome from the additional assessed amounts.

14. Zakat *(continued)*

Provision for zakat

Provision for zakat has been made at 2.5776% of the higher of approximate zakat base or adjusted net income and 2.5% on adjusted net income attributable to the Saudi shareholders of the Company.

The provision for zakat is based on the following:

	31 December 2023	31 December 2022
	SAR '000	
Opening equity	1,395,214	1,270,416
Opening allowances and other adjustments	148,185	90,362
Book value of long term assets	(1,897,445)	(1,249,204)
	(354,046)	111,574
Adjusted income for the year	377,709	287,650
Zakat base	377,709	399,224
Zakat due at 2.5%	9,443	10,250

The differences between the financial and zakatable results are mainly due to provisions, which are not allowed in the calculation of adjusted income.

15. Lease liabilities

	31 December 2023	31 December 2022	1 January 2022
		SAR '000	
Opening balance	**49,222**	54,482	42,714
Additions	**-**	4,103	21,494
Finance cost	**2,379**	2,639	2,589
Lease payments	**(10,119)**	(12,002)	(12,315)
Closing balance	**41,482**	49,222	54,482

The table below summarized the maturity profile of the lease liabilities based on the contractual payments:

	31 December 2023	31 December 2022	1 January 2022
		SAR '000	
Up to 1 year	**5,804**	6,887	7,623
More than one year	**35,678**	42,335	46,859
Total	**41,482**	49,222	54,482

15.1 These are related to lease contracts of head-office and other branch buildings.

16. Share Capital

The authorised, issued and paid-up capital of the Company is SAR 1000 million at 31 December 2023 (31 December 2022: SAR 400 million) consisting of 100 million shares (31 December 2022: 40 million shares) of SAR 10 each. The shareholders of the Company are subject to zakat. Shareholding structure of the Company is as below.

	31 December 2023		
	Authorised and issued		**Paid-up**
	Number of Shares	**SAR '000**	
Al Rajhi Banking and Investment Corporation	**35,000,000**	**350,000**	**350,000**
Others	**65,000,000**	**650,000**	**650,000**
	100,000,000	**1,000,000**	**1,000,000**

	31 December 2022		
	Authorised and issued		Paid-up
	Number of Shares	SAR '000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	14,000,000	140,000	140,000
Others	15,400,000	154,000	154,000
	40,000,000	400,000	400,000

	1 January 2022		
	Authorised and issued		Paid-up
	Number of Shares	SAR '000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	14,000,000	140,000	140,000
Others	15,400,000	154,000	154,000
	40,000,000	400,000	400,000

17. Statutory reserve

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company carries out this transfer on an annual basis at 31 December. As at 31 December 2023, SAR 283.017 million (31 December 2022: SAR 196.109 million) had been set aside as a statutory reserve, equal to 28.40% (31 December 2022: 49.03%) of the paid-up share capital.

18. Commitments and contingencies

18.1 The Company's commitments and contingencies are as follows:

	31 December 2023	31 December 2022	1 January 2022
		SAR '000	
Letters of guarantee	**39,956**	61,318	40,190

18.2 The Company enters into takaful contracts 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 the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position.

19. Insurance service result

19.1 Insurance revenue

	31 December 2023				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Contracts not measured under the PAA					
Amounts relating to the changes in the LRC					
- Expected incurred claims	-	-	21,287	18,100	39,387
- Expected incurred claims other directly attributable expenses	-	-	-	10,395	10,395
- Expected allocation to loss component	-	-	(87)	(1,183)	(1,270)
- Change in risk adjustment for non-financial risk for risk expired	-	-	3,337	13,388	16,725
- CSM recognised for the services provided	-	-	169,618	5,558	175,176
- Premium experience adjustment	-	-	62	-	62
- Recovery of insurance acquisition cashflows	-	-	2,614	2,140	4,754
	-	-	196,831	48,398	245,229
Contracts measured under the PAA					
- Premium earned on insurances contracts issued	2,310,798	995,424	551,971	167,027	4,025,220
- Movement in expected credit loss for the year	(6,053)	(10,142)	(16,533)	(1,251)	(33,979)
	2,304,745	985,282	535,438	165,776	3,991,241
Total insurance revenue	2,304,745	985,282	732,269	214,174	4,236,470

	31 December 2022				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Contracts not measured under the PAA					
Amounts relating to the changes in the LRC					
- Expected incurred claims	-	-	22,471	4,852	27,323
- Expected incurred claims other directly attributable expenses	-	-	12,435	6,457	18,892
- Expected other insurance service expenses	-	-	-	(18)	(18)
- Change in risk adjustment for non-financial risk for risk expired	-	-	3,134	10,186	13,320
- Premium experience adjustment	-	-	23,503	2,443	25,946
- Premium experience adjustment	-	-	70,004	-	70,004
- Recovery of insurance acquisition cashflows	-	-	2,000	173	2,173
	-	-	133,547	24,093	157,640
Contracts measured under the PAA					
- Premium earned on insurances contracts issued	1,500,535	550,560	353,708	372,724	2,777,527
- Movement in expected credit loss for the year	(174)	(267)	(169)	(54)	(664)
	1,500,361	550,293	353,539	372,670	2,776,863
Total insurance revenue	1,500,361	550,293	487,086	396,763	2,934,503

19. Insurance service result *(continued)*

19.2 Insurance service expenses

	31 December 2023				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Incurred claims	(1,710,428)	(898,536)	(182,419)	(56,343)	(2,847,726)
Directly attributable non-acquisition expenses	(96,677)	(68,370)	(18,719)	(12,479)	(196,245)
Changes relating to liabilities for incurred claims	130,638	29,992	(278,972)	53,500	(64,842)
Losses / (loss reversals) on onerous contracts	93,679	(32,749)	(214)	(580)	60,136
Insurance acquisition costs incurred	(310,248)	(40,015)	(14,613)	(88,867)	(453,743)
Surplus distribution to policyholders	(20,294)	(10,824)	(5,306)	(1,123)	(37,547)
	(1,913,330)	(1,020,502)	(500,243)	(105,892)	(3,539,967)

	31 December 2022				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Incurred claims	(1,688,976)	(490,516)	(159,669)	(189,993)	(2,529,154)
Directly attributable non-acquisition expenses	(64,586)	(59,952)	(16,892)	(20,493)	(161,923)
Changes relating to liabilities for incurred claims	323,650	45,763	101,337	31,720	502,470
Losses on onerous contracts and reversal of the losses	(909)	15,840	(101)	(37)	14,793
Insurance acquisition costs incurred	(183,197)	(25,955)	(13,536)	(87,103)	(309,791)
Surplus distribution to policyholders	(6,311)	(528)	(637)	(413)	(7,889)
	(1,620,329)	(515,348)	(89,498)	(266,319)	(2,491,494)

19. Insurance service result *(continued)*

19.3 Income or expenses from retakaful / reinsurance contracts held

	31 December 2023				
	Motor	**Medical / Health**	**Property & casualty**	**Protection & savings**	**Total**
			SAR '000		
Allocation of retakaful / reinsurance contributions					
Contracts not measured under the PAA					
Amounts relating to the changes in the remaining coverage					
- Expected claims and other expenses recovery	-	-	(113,638)	(80,077)	(193,715)
- Change in risk adjustment for non-financial risk	-	-	(12,061)	(6,332)	(18,393)
- CSM recognised for the services received	(13,052)	-	(610,021)	8,180	(614,893)
- Reversal of loss recovery that does not adjust CSM	-	-	-	16	16
- Experience adjustments	-	-	-	-	-
	(13,052)	-	(735,720)	(78,213)	(826,985)
Contracts measured under the PAA	-	-	-	-	-
Allocation of retakaful / reinsurance contributions	**(13,052)**	**-**	**(735,720)**	**(78,213)**	**(826,985)**
Amounts recoverable from retakaful / reinsurance					
Amounts recoverable for incurred claims and other expenses	(314)	-	215,766	58,668	274,120
Changes relating to amounts recoverable on incurred claims	(14)	-	235,863	(61,332)	174,517
Losses recovered on onerous contracts and reversal of those loss recoveries	-	-	-	595	595
Movement in non-performing assets related to reinsurance contracts held	-	-	-	-	-
Amounts recoverable from retakaful / reinsurance	**(328)**	**-**	**451,629**	**(2,069)**	**449,232**
Net income from retakaful / reinsurance contracts held	**(13,380)**	**-**	**(284,091)**	**(80,282)**	**(377,753)**

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

19. Insurance service result *(continued)*

19.3 Income or expenses from retakaful / reinsurance contracts held *(continued)*

	31 December 2022				
	Motor	**Medical / Health**	**Property & casualty**	**Protection & savings**	**Total**
	SAR '000				
Allocation of retakaful / reinsurance contributions					
Contracts not measured under the PAA					
Amounts relating to the changes in the remaining coverage					
- Expected claims and other expenses recovery	2,294	-	(103,016)	(283)	(101,005)
- Change in risk adjustment for non-financial risk	184	-	(26,961)	(23)	(26,800)
- CSM recognised for the services received	(9,623)	-	(489,500)	(12,570)	(511,693)
- Reversal of loss recovery that does not adjust CSM	-	-	-	1	1
- Experience adjustments	(2,268)	-	187,243	(9,856)	175,119
	(9,413)	-	(432,234)	(22,731)	(464,378)
Contracts measured under the PAA	-	-	-	-	-
Allocation of retakaful / reinsurance contributions	**(9,413)**	**-**	**(432,234)**	**(22,731)**	**(464,378)**
Amounts recoverable from retakaful / reinsurance					
Amounts recoverable for incurred claims and other expenses	2,421	-	170,257	65,601	238,279
Changes relating to amounts recoverable on incurred claims	35	-	(104,458)	(53,045)	(157,468)
Losses recovered on onerous contracts and reversal of those loss recoveries	-	-	-	31	31
Movement in non-performing assets related to reinsurance contracts held	(12)	-	(625)	(21)	(658)
Amounts recoverable from retakaful / reinsurance	**2,444**	**-**	**65,174**	**12,566**	**80,184**
Net income from retakaful / reinsurance contracts held	**(6,969)**	**-**	**(367,060)**	**(10,165)**	**(384,194)**

20. Investment income

Details on investment income for the year are as follows:

	31 December 2023		
	Takaful operations	Shareholders' operations	Total
	SAR '000		
Income on financial assets at fair value			
Un-realized loss on investments at fair value	**(11,935)**	**(8,017)**	**(19,952)**
Realized gain on investments at fair value	**13,308**	**2,505**	**15,813**
Commission income on investments at fair value	**13,840**	**450**	**14,290**
Dividend income on investments at fair value	**2,704**	**12,640**	**15,344**
	17,917	**7,578**	**25,495**
Income on financial assets at amortised cost and short-term deposits			
Commission income on investments at amortized cost	**100,203**	**29,546**	**129,749**
	118,120	**37,124**	**155,244**

	31 December 2022		
	Takaful operations	Shareholders' operations	Total
	SAR '000		
Income on financial assets at fair value			
Un-realized loss on investments at fair value	-	315	315
Realized gain on investments at fair value	11,880	4,375	16,255
Commission income on investments at fair value	11,598	450	12,048
Dividend income on investments at fair value	-	13,029	13,029
	23,478	18,169	41,647
Income on financial assets at amortised cost and short-term deposits			
Commission income on investments at amortized cost	38,073	10,590	48,663
	61,551	28,759	90,310

21. Insurance & retakaful / reinsurance finance income / expenses

21.1 Finance (expense) / income from insurance contracts issued

	31 December 2023				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Interest accreted	(30,546)	(6,124)	(16,150)	(23,528)	(76,348)
Effect of changes in interest rates and other financial assumptions	(2,506)	(4,664)	1,279	28,771	22,880
Changes in fair value of underlying assets of contracts measured under the VFA	-	-	-	(121,306)	(121,306)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	-	-	-	(11)	(11)
	(33,052)	(10,788)	(14,871)	(116,074)	(174,785)

	31 December 2022				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Interest accreted	(6,849)	(1,000)	(3,357)	(1,590)	(12,796)
Effect of changes in interest rates and other financial assumptions	13,624	84	894	(4,500)	10,102
Changes in fair value of underlying assets of contracts measured under the VFA	-	-	-	28,053	28,053
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	-	-	-	-	-
	6,775	(916)	(2,463)	21,963	25,359

21.2 Finance (expense) / income from retakaful / reinsurance contracts held

	31 December 2023				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Interest accreted	(76)	-	25,923	874	26,721
Effect of changes in interest rates and other financial assumptions	(41)	-	(835)	1,059	183
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	-	-	-	1,658	1,658
	(117)	-	25,088	3,591	28,562

	31 December 2022				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Interest accreted	155	-	8,709	483	9,347
Effect of changes in interest rates and other financial assumptions	(1)	-	(4,051)	1,298	(2,754)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	-	-	-	62	62
	154	-	4,658	1,843	6,655

22. Other operating expenses

	31 December 2023	31 December 2022
	SAR '000	
Policy acquisition cost	**453,743**	309,791
Staff cost	**191,357**	158,107
Depreciation and amortization	**31,066**	23,905
Professional and legal costs	**4,914**	12,340
Communication and technology	**39,516**	34,357
Premises and related cost	**15,547**	16,871
Advertisement and marketing expenses	**6,850**	2,820
Others	**10,970**	12,024
	753,963	570,215

Allocation of expenses is as follows:

	31 December 2023			31 December 2022		
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
	SAR '000			SAR '000		
Policy acquisition cost	453,743	-	453,743	309,791	-	309,791
Directly attributable non-acquisition expenses	196,245	-	196,245	161,923	-	161,923
Non-attributable expenses	-	103,975	103,975	-	98,501	98,501
	649,988	103,975	753,963	471,714	98,501	570,215

23. Earnings per share

Earnings per share for the periods ended 31 December 2023 and 31 December 2022 are calculated by dividing the net income for the period attributable to the equity holders by 100 million shares. There were no dilutive potential shares in issue as at 31 December 2023 and 31 December 2022.

	31 December 2023	31 December 2022
		Restated
Net income attributable to the shareholders after zakat (SAR '000)	**328,061**	72,391
Weighted-average number of ordinary shares	**100,000,000**	100,000,000
Basic and diluted earning per share (SAR)	**3.28**	0.72

24. Gross premium written and reinsurance premiums ceded

Premium written during the year is as follows:

	31 December 2023				
Customers' category	**Motor**	**Medical / Health**	**Property & casualty**	**Protection & savings**	**Total**
	SAR '000				
Gross contribution written					
Retail	**1,576,441**	**54,473**	**17,831**	**982,494**	**2,631,239**
Very small	**254,435**	**9,360**	**-**	**-**	**263,795**
Small	**27,929**	**11,387**	**-**	**-**	**39,316**
Medium	**71,407**	**62,098**	**205**	**-**	**133,710**
Corporate	**870,300**	**1,027,055**	**899,502**	**157,940**	**2,954,797**
Total gross contribution written	**2,800,512**	**1,164,373**	**917,538**	**1,140,434**	**6,022,857**

	31 December 2022				
Customers' category	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Gross contribution written					
Retail	818,387	62,867	11,637	148,605	1,041,496
Very small	71,597	4,696	-	-	76,293
Small	67,669	11,800	-	-	79,469
Medium	70,747	31,759	124	-	102,630
Corporate	694,198	555,201	543,906	376,877	2,170,182
Total gross contribution written	1,722,598	666,323	555,667	525,482	3,470,070

24.1 Premium ceded during the year with local and foreign entities as follows:

	31 December 2023				
	Motor	**Medical / Health**	**Property & casualty**	**Protection & savings**	**Total**
	SAR '000				
Local	**-**	**-**	**32,113**	**-**	**32,113**
Foreign	**3,543**	**-**	**834,253**	**107,185**	**944,981**
Total	**3,543**	**-**	**866,366**	**107,185**	**977,094**

	31 December 2022				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Local	-	-	2,996	-	2,996
Foreign	9,701	-	516,014	155,352	681,067
Total	9,701	-	519,010	155,352	684,063

25. Fair values of financial instruments

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

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

Determination of fair value and fair value hierarchy

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

- Level 1: financial instruments with quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

- Level 3: valuation techniques for which any significant input is not based on observable market data.

Carrying amounts and fair value

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

	31 December 2023				
	Carrying value	**Fair value**			**Total**
		Level 1	**Level 2**	**Level 3**	
	SAR '000				
Financial assets measured at fair value					
Investments measured at FVTPL	1,690,938	-	1,283,230	407,708	1,690,938
Investments measured at FVOCI	459,212	419,509	-	39,703	459,212
	2,150,150	419,509	1,283,230	447,411	2,150,150

	31 December 2022				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
	SAR '000				
Financial assets measured at fair value					
Investments measured at FVTPL	771,673	-	422,591	349,082	771,673
Investments measured at FVOCI	429,926	422,384	-	7,542	429,926
	1,201,599	422,384	422,591	356,624	1,201,599

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

25. Fair values of financial instruments *(continued)*

	1 January 2022				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
	SAR '000				
Financial assets measured at fair value					
Investments measured at FVTPL	700,252	-	412,002	288,250	700,252
Investments measured at FVOCI	435,284	427,742	-	7,542	435,284
	1,135,536	427,742	412,002	295,792	1,135,536

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

Financial assets at FVTPL – Unquoted securities

	31 December 2023
	SAR'000
Balance at 1 January 2023	302,212
Purchases	80,000
Changes in fair value of investments, net	(12,227)
Balance at 31 December 2023	369,985

Financial assets at FVOCI – Unquoted securities

	31 December 2023
	SAR'000
Balance at 1 January 2023	7,542
Gain included in OCI	32,161
Balance at 31 December 2023	39,703

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

26. Operating segments

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company’s chief executive officer in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief executive officer is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

Segment assets do not include takaful operations’ bank balances and cash, net contributions receivable, investments etc., accordingly, they are included in unallocated assets. Segment liabilities do not include takaful operations’ payables accruals and other liabilities and re-takaful / re-insurance balances payable etc., accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company’s chief executive officer for the reportable segments for the Company’s total assets and liabilities as of 31 December 2023 and 31 December 2022, its total revenues, expenses, and net income for the year then ended, are as follows:

	31 December 2023					
	Motor	**Medical / Health**	**Property & casualty**	**Protection & savings**	**Un-allocated**	**Total**
	SAR '000					
Assets						
Insurance contract assets	-	-	174,213	29	-	174,242
Retakaful / reinsurance contract assets	12,015	-	529,692	104,417	-	646,124
Cash and cash equivalents	-	-	-	-	945,103	945,103
Investments	-	-	-	-	4,650,945	4,650,945
Other unallocated assets	-	-	-	-	407,773	407,773
Total assets	12,015	-	703,905	104,446	6,003,821	6,824,187
Liabilities						
Insurance contract liabilities	2,213,562	492,109	668,659	1,274,796	-	4,649,126
Retakaful / reinsurance contract liabilities	5,992	-	159,422	30,941	-	196,355
Other unallocated liabilities, equity and surplus	-	-	-	-	1,978,706	1,978,706
Total liabilities, accumulated surplus and equity	2,219,554	492,109	828,081	1,305,737	1,978,706	6,824,187

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

26. Operating segments *(continued)*

	31 December 2022 - Restated					
	Motor	Medical / Health	Property & casualty	Protection & savings	Un-allocated	Total
	SAR '000					
Assets						
Insurance contract assets	34	282	-	-	-	316
Retakaful / reinsurance contract assets	11,864	-	227,211	113,908	-	352,983
Cash and cash equivalents	-	-	-	-	620,410	620,410
Investments	-	-	-	-	3,129,354	3,129,354
Other unallocated assets	-	-	-	-	228,111	228,111
Total assets	11,898	282	227,211	113,908	3,977,875	4,331,174
Liabilities						
Insurance contract liabilities	1,550,200	310,987	454,235	477,998	-	2,793,420
Retakaful / reinsurance contract liabilities	5,992	-	-	-	-	5,992
Other unallocated liabilities, equity and surplus	-	-	-	-	1,531,762	1,531,762
Total liabilities, accumulated surplus and equity	1,556,192	310,987	454,235	477,998	1,531,762	4,331,174

	1 January 2022 - Restated					
	Motor	Medical / Health	Property & casualty	Protection & savings	Un-allocated	Total
	SAR '000					
Assets						
Insurance contract assets	2,906	-	-	27,288	-	30,194
Retakaful / reinsurance contract assets	11,782	-	279,537	140,052	-	431,371
Cash and cash equivalents	-	-	-	-	500,070	500,070
Investments	-	-	-	-	2,885,001	2,885,001
Other unallocated assets	-	-	-	-	226,137	226,137
Total assets	14,688	-	279,537	167,340	3,611,208	4,072,773
Liabilities						
Insurance contract liabilities	1,448,012	209,907	353,335	388,444	-	2,399,698
Retakaful / reinsurance contract liabilities	490	-	-	124,667	-	125,157
Other unallocated liabilities, equity and surplus	-	-	-	-	1,547,918	1,547,918
Total liabilities, accumulated surplus and equity	1,448,502	209,907	353,335	513,111	1,547,918	4,072,773

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

26. Operating segments *(continued)*

	31 December 2023					
	Motor	**Medical / Health**	**Property & casualty**	**Protection & savings**	**Un-allocated**	**Total**
	SAR '000					
Insurance revenue	2,304,745	985,282	732,269	214,174	-	4,236,470
Insurance service expenses	(1,913,330)	(1,020,502)	(500,243)	(105,892)	-	(3,539,967)
Insurance service result before retakaful / reinsurance contracts held	391,415	(35,220)	232,026	108,282	-	696,503
Allocation of retakaful / reinsurance contributions	(13,052)	-	(735,720)	(78,213)	-	(826,985)
Amounts recoverable from retakaful / reinsurance for incurred claims	(328)	-	451,629	(2,069)	-	449,232
Net (expense) / income from retakaful / reinsurance contracts held	(13,380)	-	(284,091)	(80,282)	-	(377,753)
Insurance service result	378,035	(35,220)	(52,065)	28,000	-	318,750
Finance expense from insurance contracts issued	(33,052)	(10,788)	(14,871)	(116,074)	-	(174,785)
Finance income from retakaful / reinsurance contracts held	(117)	-	25,088	3,591	-	28,562
Net finance (expenses) / income	(33,169)	(10,788)	10,217	(112,483)	-	(146,223)
Income on financial assets at fair value	-	-	-	-	25,495	25,495
Income on financial assets at amortised cost and short-term deposits	-	-	-	-	129,749	129,749
Fair value gain of unit-linked investments	-	-	-	114,009	-	114,009
Net credit impairment losses on financial assets	-	-	-	-	(391)	(391)
Net investment income	-	-	-	114,009	154,853	268,862
Net insurance and investment result	344,866	(46,008)	(41,848)	29,526	154,853	441,389
Other operating expenses	-	-	-	-	(103,975)	(103,975)
Other income	-	-	-	-	90	90
Net income for the period before zakat	344,866	(46,008)	(41,848)	29,526	50,968	337,504
Provision for zakat	-	-	-	-	(9,443)	(9,443)
Net income for the period after zakat	344,866	(46,008)	(41,848)	29,526	41,525	328,061

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

26. Operating segments *(continued)*

	31 December 2022 - Restated					
	Motor	Medical / Health	Property & casualty	Protection & savings	Un-allocated	Total
	SAR '000					
Insurance revenue	1,500,361	550,293	487,086	396,763	-	2,934,503
Insurance service expenses	(1,620,329)	(515,348)	(89,498)	(266,319)	-	(2,491,494)
Insurance service result before retakaful / reinsurance contracts held	(119,968)	34,945	397,588	130,444	-	443,009
Allocation of retakaful / reinsurance contributions	(9,413)	-	(432,234)	(22,731)	-	(464,378)
Amounts recoverable from retakaful / reinsurance for incurred claims	2,444	-	65,174	12,566	-	80,184
Net (expense) / income from retakaful / reinsurance contracts held	(6,969)	-	(367,060)	(10,165)	-	(384,194)
Insurance service result	(126,937)	34,945	30,528	120,279	-	58,815
Finance expense from insurance contracts issued	6,775	(916)	(2,463)	21,963	-	25,359
Finance income from retakaful / reinsurance contracts held	154	-	4,658	1,843	-	6,655
Net finance (expenses) / income	6,929	(916)	2,195	23,806	-	32,014
Income on financial assets at fair value	-	-	-	-	41,647	41,647
Income on financial assets at amortised cost and short-term deposits	-	-	-	-	48,663	48,663
Fair value gain of unit-linked investments	-	-	-	(12,481)	-	(12,481)
Net credit impairment losses on financial assets	-	-	-	-	(242)	(242)
Net investment income	-	-	-	(12,481)	90,068	77,587
Net insurance and investment result	(120,008)	34,029	32,723	131,604	90,068	168,416
Other operating expenses	-	-	-	-	(98,501)	(98,501)
Other income	-	-	-	-	12,726	12,726
Net income for the period before zakat	(120,008)	34,029	32,723	131,604	4,293	82,641
Provision for zakat	-	-	-	-	(10,250)	(10,250)
Net income for the period after zakat	(120,008)	34,029	32,723	131,604	(5,957)	72,391

27. Related party transactions and balances

Related parties represent major shareholders, directors, and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances:

	Transactions for the year ended		Balance receivable / (payable) as of		
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022	1 January 2022
			SAR '000		
Major shareholders					
Gross contribution written	**679,227**	718,691	**111,608**	121,709	95,806
Claims paid	**250,747**	497,413	**-**	-	-
Claims incurred and notified during the period	**422,076**	587,154	**(522,390)**	(351,061)	(101,720)
Reimbursement from related party	**-**	-	**-**	-	-
Bank Balance	**-**	-	**401,627**	294,200	255,485
Investment in shares of Al Rajhi Banking and Investment Corporation	**-**	-	**63,027**	54,793	64,575
Entities controlled, jointly controlled or significantly influenced by related parties					
Gross contribution written	**28,657**	23,318	**1,939**	1,215	1,529
Claims paid	**2,656**	2,633	**-**	-	-
Claims incurred and notified during the period	**(2,370)**	19,300	**21,320**	(26,345)	(9,679)
Investments managed by affiliates	**11,604**	10,396	**1,220,724**	302,591	292,003
Income received from sale of investment in Al Rajhi Capital commodity fund	**8,900**	10,082	**-**	-	-
Investment management fee paid to Al Rajhi Capital Company	**3,386**	2,694	**-**	-	-

The compensation of key management personnel during the year is as follows:

	31 December 2023	31 December 2022
	SAR '000	
Salaries and other allowances	1,835	5,711
End of service benefits	1,126	418
	2,961	6,129
Board remuneration	2,700	2,347
Shariah committee remuneration	240	280

28. Capital management

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.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by Insurance Authority (IA) previously known as SAMA in Article 66 of the Insurance Implementing Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per Insurance Implementing Regulations:

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

The capital structure of the Company as of 31 December 31 2023 consists of paid-up share capital of SAR 1,000 million, statutory reserves of SAR 283.017 million and accumulated profit of SAR 347.632 million (31 December 2022: paid-up share capital of SAR 400 million, statutory reserves of SAR 196.109 million and accumulated profits of SAR 706.479 million) in the statement of financial position.

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

29. Takaful operations' surplus payable

	31 December 2023	31 December 2022	1 January 2022
		SAR '000	
Opening balance	**37,318**	48,628	48,316
Income attributable to takaful operations during the year	**37,547**	7,889	10,118
Surplus paid to policyholders during the year	**(665)**	(19,199)	(9,806)
Closing balance	**74,200**	37,318	48,628

As a result of the adoption of IFRS 17, net surplus payable to policyholders is reported as part of insurance contract liabilities. Also, income attributable to insurance operations is expensed as part of insurance service expenses.

30. Risk management

Risk management covers mainly the followings:

- Insurance Risks
- Financial Risks

Insurance Risks

For non-life insurance contracts, the most significant risks arise from climate changes, natural disasters and manmade accidents. For longer tail claims that take some years to settle, there is also inflation risk.

For life insurance contracts, the main risks that the Company is exposed to are, as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

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

The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly settling claims, to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for re-takaful purposes. Such re-takaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance held (outward reinsurance) is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Retention limits for non-proportional excess–of–loss reinsurance vary by product line.

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

30. Risk management *(continued)*

Insurance Risks *(continued)*

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements before approving them for exchange of reinsurance business. As of 31 December 2023, 31 December 2022 and 1 January 2022, there is no significant concentration of reinsurance balances.

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

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

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

	31 December 2023		
	Insurance contracts issued	**Reinsurance contracts held**	**Net**
		SAR '000	
Motor	**2,213,562**	**(6,023)**	**2,207,539**
Medical / Health	**492,109**	**-**	**492,109**
Property & casualty	**494,446**	**(370,270)**	**124,176**
Protection & savings	**1,274,767**	**(73,476)**	**1,201,291**
	4,474,884	**(449,769)**	**4,025,115**

	31 December 2022		
	Insurance contracts issued	Reinsurance contracts held	Net
		SAR '000	
Motor	1,550,166	(11,864)	1,538,302
Medical / Health	310,705	-	310,705
Property & casualty	454,235	(227,211)	227,024
Protection & savings	477,998	(108,579)	369,419
	2,793,104	(347,654)	2,445,450

	1 January 2022		
	Insurance contracts issued	Reinsurance contracts held	Net
		SAR '000	
Motor	1,445,106	(11,292)	1,433,814
Medical / Health	209,907	-	209,907
Property & casualty	353,335	(279,537)	73,798
Protection & savings	361,156	(15,385)	345,771
	2,369,504	(306,214)	2,063,290

30. Risk management *(continued)*

Insurance Risks *(continued)*

The geographical concentration of the Company's insurance contract liabilities is noted below. The disclosure is based on the region where the business is written:

	31 December 2023				
	Motor	**Medical / Health**	**Property & casualty**	**Protection & savings**	**Total**
	SAR '000				
Within KSA					
Western region	**68,184**	**23,309**	**23,678**	**58,927**	**174,098**
Eastern region	**11,109**	**77,197**	**62,793**	**25,653**	**176,752**
Central region	**2,134,269**	**391,603**	**407,975**	**1,190,187**	**4,124,034**
	2,213,562	**492,109**	**494,446**	**1,274,767**	**4,474,884**

	31 December 2022				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Within KSA					
Western region	85,293	18,335	14,659	-	118,287
Eastern region	9,790	-	119,788	-	129,578
Central region	1,455,083	292,370	319,788	477,998	2,545,239
	1,550,166	310,705	454,235	477,998	2,793,104

	1 January 2022				
	Motor	Medical / Health	Property & casualty	Protection & savings	Total
	SAR '000				
Within KSA					
Western region	68,299	10,825	6,099	40,095	125,318
Eastern region	13,700	22,740	24,925	5,635	67,000
Central region	1,363,107	176,342	322,311	315,426	2,177,186
	1,445,106	209,907	353,335	361,156	2,369,504

Sensitivities on major assumptions considered while applying IFRS 17

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

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

30. Risk management *(continued)*

Insurance Risks *(continued)*

Sensitivities on major assumptions considered while applying IFRS 17 *(continued)*

Following are the sensitivities derived before risk mitigation by reinsurance contracts held:

	31 December 2023		
	Insurance contract liabilities	Impact on profit/(loss) before zakat	Impact on equity
	SAR '000		
Insurance contract liabilities	**4,474,884**		
Expenses increase by 5%	4,477,354	(2,223)	(2,166)
Expenses decrease by 5%	4,472,400	2,236	2,178
Yields curve shift up by 0.5%	4,474,418	419	408
Yields curve shift down by 0.5%	4,475,350	(419)	(408)
Loss reserve increase by 5%	4,601,776	(114,203)	(111,260)
Loss reserve decrease by 5%	4,347,979	114,214	111,271
Lapse rate increase by 5%	4,474,009	787	767
Lapse rate decrease by 5%	4,475,747	(777)	(757)
Mortality rate increase by 10%	4,474,794	81	79
Mortality rate decrease by 10%	4,474,962	(70)	(68)

	31 December 2022		
	Insurance contract liabilities	Impact on profit/(loss) before zakat	Impact on equity
	SAR '000		
Insurance contract liabilities	**2,793,104**		
Expenses increase by 5%	2,828,169	(31,558)	(30,745)
Expenses decrease by 5%	2,758,024	31,572	30,758
Yields curve shift up by 0.5%	2,795,025	(1,729)	(1,684)
Yields curve shift down by 0.5%	2,791,153	1,756	1,711
Loss reserve increase by 5%	2,858,399	(58,765)	(57,251)
Loss reserve decrease by 5%	2,666,925	113,561	110,635
Lapse rate increase by 5%	2,794,883	(1,601)	(1,560)
Lapse rate decrease by 5%	2,791,311	1,614	1,572
Mortality rate increase by 10%	2,795,272	(1,951)	(1,901)
Mortality rate decrease by 10%	2,793,097	6	6

30. Risk management *(continued)*

Insurance Risks *(continued)*

Sensitivities on major assumptions considered while applying IFRS 17 *(continued)*

Following are the sensitivities derived after risk mitigation by reinsurance contracts held:

	31 December 2023		
	Insurance contract liabilities	Impact on profit/(loss) before zakat	Impact on equity
	SAR '000		
Insurance contract liabilities	4,474,884		
Reinsurance contract Assets	449,769		
Net insurance contract liabilities	4,025,115		
Expenses increase by 5%	4,026,684	(1,412)	(1,376)
Expenses decrease by 5%	4,023,531	1,426	1,389
Yields curve shift up by 0.5%	4,024,666	404	393
Yields curve shift down by 0.5%	4,025,562	(402)	(391)
Loss reserve increase by 5%	4,117,978	(83,577)	(81,423)
Loss reserve decrease by 5%	3,932,239	83,588	81,434
Lapse rate increase by 5%	4,024,298	735	716
Lapse rate decrease by 5%	4,025,920	(725)	(706)
Mortality rate increase by 10%	4,025,077	34	33
Mortality rate decrease by 10%	4,025,141	(23)	(22)

	31 December 2022		
	Insurance contract liabilities	Impact on profit/(loss) before zakat	Impact on equity
	SAR '000		
Insurance contract liabilities	2,793,104		
Reinsurance contract Assets	347,654		
Net insurance contract liabilities	2,445,450		
Expenses increase by 5%	2,457,819	(11,132)	(10,845)
Expenses decrease by 5%	2,433,066	11,146	10,858
Yields curve shift up by 0.5%	2,447,397	(1,752)	(1,706)
Yields curve shift down by 0.5%	2,443,459	1,792	1,746
Loss reserve increase by 5%	2,471,108	(23,092)	(22,497)
Loss reserve decrease by 5%	2,313,782	118,501	115,448
Lapse rate increase by 5%	2,447,302	(1,667)	(1,624)
Lapse rate decrease by 5%	2,443,584	1,680	1,636
Mortality rate increase by 10%	2,447,621	(1,954)	(1,904)
Mortality rate decrease by 10%	2,445,440	9	9

30. Risk management *(continued)*

Insurance Risks *(continued)*

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years, spanning a number of financial years.

	31 December 2023						
Accident year	**2018 & earlier**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	SAR '000						
Undiscounted liabilities for incurred claims, gross of reinsurance:							
At end of accident year	3,470,991	2,272,583	1,568,163	1,949,840	2,249,458	2,821,835	14,332,870
1 year later	4,585,399	2,209,133	1,463,133	1,928,213	2,359,109		12,544,987
2 years later	4,532,614	2,095,496	1,454,879	1,903,428			9,986,417
3 years later	4,399,165	2,113,762	1,444,586				7,957,513
4 years later	4,539,793	2,109,305					6,649,098
5 years later	4,448,567						4,448,567
Gross estimates of the undiscounted amount of the claims	4,448,567	2,109,305	1,444,586	1,903,428	2,359,109	2,821,835	15,086,830
Cumulative gross claims and other directly attributable expenses paid	4,272,586	2,024,684	1,375,884	1,776,466	1,871,110	1,931,833	13,252,563
Gross undiscounted liabilities for incurred claims	175,981	84,621	68,702	126,962	487,999	890,002	1,834,267
Effect of discounting	907	4,117	3,568	6,675	25,838	37,413	78,518
Gross discounted liabilities for incurred claims excluding risk adjustment	175,074	80,504	65,134	120,287	462,161	852,589	1,755,749
Effect of the risk adjustment margin for non-financial risk	50,826	6,247	4,871	10,062	45,843	74,406	192,255
Gross liabilities for incurred claims before reserve & surplus payable	225,900	86,751	70,005	130,349	508,004	926,995	1,948,004
Other reserve							150,510
Takaful operations' surplus payable							74,200
Gross liabilities for incurred claims							**2,172,714**

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

30. Risk management *(continued)*

Insurance Risks *(continued)*

Claims development table *(continued)*

	31 December 2023						
Accident year	**2018 & earlier**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	SAR '000						
Undiscounted liabilities for incurred claims, net of reinsurance:							
At end of accident year	3,382,289	2,211,525	1,494,624	1,715,703	1,978,858	2,539,926	13,322,925
1 year later	4,173,839	2,161,688	1,379,654	1,724,454	1,919,197		11,358,832
2 years later	4,124,059	2,044,083	1,384,927	1,713,101			9,266,170
3 years later	3,981,776	2,066,581	1,374,206				7,422,563
4 years later	4,148,536	2,064,474					6,213,010
5 years later	4,059,273						4,059,273
Net estimates of the undiscounted amount of the claims	4,059,273	2,064,474	1,374,206	1,713,101	1,919,197	2,539,926	13,670,177
Cumulative net claims and other directly attributable expenses paid	3,883,883	1,980,626	1,311,823	1,606,851	1,785,858	1,827,763	12,396,804
Net undiscounted liabilities for incurred claims	175,390	83,848	62,383	106,250	133,339	712,163	1,273,373
Effect of discounting	866	4,269	3,301	5,168	9,157	45,732	68,493
Net discounted liabilities for incurred claims excluding risk adjustment	174,524	79,579	59,082	101,082	124,182	666,431	1,204,880
Effect of the risk adjustment margin for non-financial risk	42,377	6,110	3,442	7,743	10,298	54,563	124,533
Net liabilities for incurred claims before reserve & surplus payable	216,901	85,689	62,524	108,825	134,480	720,994	1,329,413
Other reserve							129,437
Takaful operations' surplus payable							74,200
Net liabilities for incurred claims							1,533,050

30. Risk management *(continued)*

Insurance Risks *(continued)*

Claims development table *(continued)*

	31 December 2022					
Accident year	2018 & earlier	2019	2020	2021	2022	Total
	SAR '000					
Undiscounted liabilities for incurred claims, gross of reinsurance:						
At end of accident year	3,470,991	2,272,583	1,568,163	1,949,840	2,249,458	11,511,035
1 year later	4,585,399	2,209,133	1,463,133	1,928,213		10,185,878
2 years later	4,532,614	2,095,496	1,454,879			8,082,989
3 years later	4,399,165	2,113,762				6,512,927
4 years later	4,539,793					4,539,793
Gross estimates of the undiscounted amount of the claims	4,539,793	2,113,762	1,454,879	1,928,213	2,249,458	12,286,105
Cumulative gross claims and other directly attributable expenses paid	4,376,939	2,003,647	1,358,640	1,731,417	1,467,070	10,937,713
Gross undiscounted liabilities for incurred claims	162,854	110,115	96,239	196,796	782,388	1,348,392
Effect of discounting	839	5,357	4,998	10,347	41,424	62,965
Gross discounted liabilities for incurred claims excluding risk adjustment	112,124	74,868	65,442	133,987	532,873	1,285,427
Effect of the risk adjustment margin for non-financial risk	26,712	3,283	2,560	5,288	63,198	101,041
Gross liabilities for incurred claims before reserve & surplus payable	138,836	78,151	68,002	139,275	596,071	1,386,468
Other reserve						69,805
Takaful operations' surplus payable						37,318
Gross liabilities for incurred claims						1,493,591

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

30. Risk management *(continued)*

Insurance Risks *(continued)*

Claims development table *(continued)*

	31 December 2022					
Accident year	2018 & earlier	2019	2020	2021	2022	Total
	SAR '000					
Undiscounted liabilities for incurred claims, net of reinsurance:						
At end of accident year	3,382,289	2,211,525	1,494,624	1,715,703	1,978,858	10,782,999
1 year later	4,173,839	2,161,688	1,379,654	1,724,454		9,439,635
2 years later	4,124,059	2,044,083	1,384,927			7,553,069
3 years later	3,981,776	2,066,581				6,048,357
4 years later	4,148,536					4,148,536
Net estimates of the undiscounted amount of the claims	4,148,536	2,066,581	1,384,927	1,724,454	1,978,858	11,303,356
Cumulative net claims and other directly attributable expenses paid	4,003,033	1,959,666	1,295,203	1,577,040	1,399,264	10,234,206
Net undiscounted liabilities for incurred claims	145,503	106,915	89,724	147,414	579,594	1,069,150
Effect of discounting	718	5,443	4,747	7,170	39,805	57,883
Net discounted liabilities for incurred claims excluding risk adjustment	144,785	101,472	84,977	140,244	539,789	1,011,267
Effect of the risk adjustment margin for non-financial risk	23,714	3,419	1,926	4,333	36,296	69,688
Net liabilities for incurred claims before reserve & surplus payable	168,499	104,891	86,903	144,577	576,085	1,080,955
Other reserve						47,707
Takaful operations' surplus payable						37,318
Net liabilities for incurred claims						1,165,980

30. Risk management *(continued)*

Financial risk

Financial risk comprises of the followings:

- Liquidity risk
- Market risk
- Credit risk

These risks have been briefly explained below:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

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

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

- The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

Maturity profiles

Maturity analysis for insurance and reinsurance contract liabilities (present value of future cash flows basis)

The following table summarizes the maturity profile of groups of insurance contracts issued and reinsurance contracts held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

30. Risk management *(continued)*

Financial risk *(continued)*

Liquidity risk *(continued)*

Maturity profiles *(continued)*

	31 December 2023						
	Up to 1 Year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	SAR '000						
Insurance contract Liabilities							
Motor takaful comprehensive policy	314,653	157,513	52,114	22,858	10,790	1,678	559,606
Motor takaful extended warranties policy	-	-	-	-	-	-	-
Motor takaful third party liability	213,700	88,267	47,429	29,585	11,277	1,198	391,456
Corporate health	292,660	25,526	1,012	92	-	-	319,290
SME	19,640	3,245	191	14	-	-	23,090
Pools	-	-	-	-	-	-	-
Visit visa certificate	1,928	104	15	-	-	-	2,047
Accident and liability	85,721	17,899	3,423	-	-	-	107,043
Engineering	51,668	(23,924)	3,132	140	135	18	31,169
Marine	47,432	4,006	192	-	-	-	51,630
Property	215,078	13,019	279	-	-	-	228,376
Group credit life plan	68,843	1,811	-	-	-	-	70,654
Group term takaful plan	8,078	41	-	-	-	-	8,119
Child education takaful Plan	(25,297)	(20,859)	(15,446)	(13,783)	(12,633)	107,848	19,830
Individual family takaful plan	26	22	12	5	1		66
Individual retirement plan	(583,843)	(497,554)	(375,932)	(303,108)	(285,954)	2,227,681	181,290
Individual single contribution plan	42,978	70,723	63,431	50,950	389,558	6,320	623,960
	753,265	(160,161)	(220,148)	(213,247)	113,174	2,344,743	2,617,626

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

30. Risk management *(continued)*

Financial risk *(continued)*

Liquidity risk *(continued)*

Maturity profiles *(continued)*

	31 December 2023						
	Up to 1 Year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	SAR '000						
Reinsurance contract assets							
General accident	66,740	9,077	3,039	703	34	1	79,594
Engineering	(30,730)	15,314	907	1	-	-	(14,508)
Marine	45,764	4,436	200	4	-	-	50,404
Marine XOL	(1,461)	-	-	-	-	-	(1,461)
Non-marine risk	(8,726)	81	-	-	-	-	(8,645)
Property	(155,169)	20,456	652	15	-	-	(134,046)
Group credit	74,690	1,172	(5,944)	(6,060)	(19,542)	-	44,316
Motor XOL	723	1,730	1,455	854	8	(11)	4,759
Individual	931	1,037	1,021	992	1,012	7,089	12,082
	(7,238)	53,303	1,330	(3,491)	(18,488)	7,079	32,495

30. Risk management *(continued)*

Financial risk *(continued)*

Liquidity risk *(continued)*

Maturity profiles *(continued)*

	31 December 2022						
	Up to 1 Year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	SAR '000						
Insurance contract Liabilities							
Motor takaful comprehensive policy	338,113	100,069	39,142	13,686	5,903	1,776	498,689
Motor takaful extended warranties policy	(30)	(4)	-	-	-	-	(34)
Motor takaful third party liability	135,331	52,109	31,952	20,771	9,539	521	250,223
Corporate health	191,090	17,438	649	67	-	-	209,244
SME	36,063	6,261	404	22	-	-	42,750
Umrah	-	-	-	-	-	-	-
Visit visa certificate	4,823	793	58	4	-	-	5,678
Accident and liability	27,849	8,043	3,205	1,827	476	24	41,424
Engineering	(8,044)	(20,999)	2,223	(382)	14	-	(27,188)
Marine	10,473	670	71	2	-	-	11,216
Property	78,642	5,842	306	-	-	-	84,790
Group credit life	147,095	2,552	-	-	-	-	149,647
Group term takaful plan	5,517	216	-	-	-	-	5,733
Child education takaful Plan	(20,363)	(16,790)	(12,433)	(11,095)	(10,169)	86,811	15,961
Individual family takaful plan	(21)	(18)	(10)	(4)	(1)	-	(54)
Individual retirement plan	(550,846)	(469,434)	(354,685)	(285,977)	(269,793)	2,101,779	171,044
Individual Single contribution plan	-	-	-	-	-	-	-
	395,692	(313,252)	(289,118)	(261,079)	(264,031)	2,190,911	1,459,123

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

30. Risk management *(continued)*

Financial risk *(continued)*

Liquidity risk *(continued)*

Maturity profiles *(continued)*

	31 December 2022						
	Up to 1 Year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	SAR '000						
Reinsurance contract liabilities							
General accident	14,482	9,009	5,752	4,180	992	48	34,463
Engineering	(123,242)	10,097	1,829	172	6	-	(111,138)
Marine	8,825	640	68	2	-	-	9,535
Marine XOL	8,649	49	7	-	-	-	8,705
Non-marine risk	4,995	107	3	-	-	-	5,105
Property	11,436	5,345	289	-	-	-	17,070
Group credit	103,892	2,050	(385)	(3,613)	(2,338)	-	99,606
Motor XOL	10,903	-	-	-	-	-	10,903
Individual	(160)	(178)	(175)	(170)	(174)	(1,216)	(2,073)
	39,780	27,119	7,388	571	(1,514)	(1,168)	72,176

30. Risk management *(continued)*

Financial risk *(continued)*

Liquidity risk *(continued)*

Maturity analysis for financial assets

The following table summarizes the maturity profile of financial assets of the Company based on the remaining undiscounted contractual cash flows, including commission receivable:

	31 December 2023		
	Up to 1 Year	**More than one year**	**Total**
		SAR '000	
Takaful operations - financial assets			
Cash and cash equivalents	909,858	-	909,858
Financial assets measured at FVTPL	482,828	-	482,828
Financial assets measured at FVOCI	-	57,494	57,494
Financial assets measured at amortized cost	30,510	1,803,379	1,833,889
Investment for unit linked contracts	1,163,230	-	1,163,230
	2,586,426	1,860,873	4,447,299
Shareholders' operations - financial assets			
Cash and cash equivalents	35,245	-	35,245
Financial assets measured at FVTPL	44,880	-	44,880
Financial assets measured at FVOCI	-	401,718	401,718
Financial assets measured at amortized cost	10,315	656,591	666,906
	90,440	1,058,309	1,148,749
Total	**2,676,866**	**2,919,182**	**5,596,048**

	31 December 2022 - Restated		
	Up to 1 Year	More than one year	Total
		SAR '000	
Takaful operations - financial assets			
Cash and cash equivalents	577,917	-	577,917
Financial assets measured at FVTPL	268,506	-	268,506
Financial assets measured at FVOCI	-	80,404	80,404
Financial assets measured at amortized cost	25,585	1,175,100	1,200,685
Investment for unit linked contracts	268,506	-	268,506
	1,140,514	1,255,504	2,396,018

30. Risk management *(continued)*

Financial risk *(continued)*

Liquidity risk *(continued)*

Maturity analysis for financial assets

The following table summarizes the maturity profile of financial assets of the Company based on the remaining undiscounted contractual cash flows, including commission receivable:

	31 December 2022 - Restated		
	Up to 1 Year	More than one year	Total
	SAR '000		
Shareholders' operations - financial assets			
Cash and cash equivalents	42,493	-	42,493
Financial assets measured at FVTPL	55,202	-	55,202
Financial assets measured at FVOCI	-	349,522	349,522
Financial assets measured at amortized cost	6,646	720,424	727,070
	104,341	1,069,946	1,174,287
Total	**1,244,855**	**2,325,450**	**3,570,305**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument, insurance contract issued, or reinsurance contract held will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk;
- Commission rate risk; and
- Price risk

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in SAR and its exposure to foreign exchange risk arises primarily with respect to the US dollar. The Company's financial assets are primarily denominated in the SAR.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the SAR. In addition, Company's foreign currency transactions are primarily in US dollars which is pegged with SAR and therefore the financial instruments are not sensitive to currency fluctuations.

30. Risk management *(continued)*

Financial risk *(continued)*

Market risk *(continued)*

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the Company's income for one year. Based on the floating rate financial assets held at 31 December 2023, an increase or decrease of 50 basis points in commission rates would result in a change in the loss or gain for the year of SAR 6.475 million (31 December 2022: SAR 3.975 million)

Price risk

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

The Company has investment in the mutual funds (classified as FVTPL). A 5% change in the net asset value of funds, with all other variables held constant, would impact the net income for the year by increase / decrease of SAR 7.758 million (31 December 2022: SAR 9.962 million) .

The Company has investment in the Saudi companies equities listed on Tadawul (Classified as FVOCI). A 5% change in the market value of these investments, with all other variables held constant, would impact the shareholders' equity by increase / decrease of SAR 20.975 million (31 December 2022: SAR 21.119 million).

Credit risk

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

Credit risk measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

30. Risk management *(continued)*

Financial risk *(continued)*

Credit risk *(continued)*

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

Significant increase in credit risk

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

Quantitative criteria:

- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 30 days past due ;

Qualitative criteria:

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;
- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

Definition of default and credit-impaired assets

The Company defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:
- Contractual payments are more than 90 days past due;
- Counterparty's refusal to pay the amounts due.

Qualitative criteria:
- Information about the bankruptcy of the counterparty;
- Legal case on recovery proceedings;

The criteria above have been applied to all financial assets. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve month. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the KSA and selected private-sector and academic forecasters. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes.

30. Risk management *(continued)*

Financial risk *(continued)*

Credit risk *(continued)*

The Company considers scenarios in range of 3-5 years horizon (consistent with forecast available from public sources) beyond which long term average macroeconomic conditions prevail. Externally available macroeconomic forecast from Global Rating Agencies and the Insurance Authority are used for making base case forecast. For other scenarios, adjustment are made to base case forecast based on expert judgement. The Company uses multiple scenarios and probabilities are assigned to each scenario based on expert judgement.

Based on the detailed analysis of the Companies exposures to the credit risk, the management of the Company have opted to benefit from the practical expedient in calculating the expected credit losses provided by IFRS 9 for financial assets with low credit risk. The management of the Company measures impairment using 12-month expected credit losses for its financial assets subject to impairment. The low credit risk financial assets of the Company meet the following requirements of IFRS 9 to measure impairment using 12-month expected credit losses:

- Low credit risk of default;
- The counterparties have a strong capacity to meet their obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations.

The Company uses external credit risk ratings of well-known and reputable rating agencies to assess the probability of default of individual counterparties.

The Company does not recognise lifetime expected credit losses on a financial instrument simply because it was considered to have low credit risk in the previous reporting period and is not considered to have low credit risk at the reporting date. In such a case, the Company will determine whether there has been a significant increase in credit risk since initial recognition and thus whether lifetime expected credit losses are required to be recognised.

Measuring expected credit losses

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the exposure.

30. Risk management *(continued)*

Financial risk *(continued)*

Credit risk *(continued)*

Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below, also represents the Company's maximum exposure to credit risk on these assets.

	Takaful operations				
	31 December 2023				31 December 2022
Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
	SAR '000				
Bank balances	910,222	-	-	910,222	578,043
Investments held at amortised cost	1,835,043	-	-	1,835,043	1,201,731
Gross carrying amount	2,745,265	-	-	2,745,265	1,779,774
Loss allowance	(1,518)	-	-	(1,518)	(1,172)
Carrying amount	2,743,747	-	-	2,743,747	1,778,602

	Takaful operations				
	31 December 2023				31 December 2022
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
	SAR '000				
Investment grade	2,745,265	-	-	2,745,265	1,779,774
Gross carrying amount	2,745,265	-	-	2,745,265	1,779,774
Loss allowance	(1,518)	-	-	(1,518)	(1,172)
Carrying amount	2,743,747	-	-	2,743,747	1,778,602

	Shareholders' operations				
	31 December 2023				31 December 2022
Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
	SAR '000				
Bank balances	35,245	-	-	35,245	42,493
Investments held at amortised cost	667,001	-	-	667,001	727,206
Statutory deposit	100,000	-	-	100,000	40,000
Gross carrying amount	802,246	-	-	802,246	809,699
Loss allowance	(121)	-	-	(121)	(165)
Carrying amount	802,125	-	-	802,125	809,534

	Shareholders' operations				
	31 December 2023				31 December 2022
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
	SAR '000				
Investment grade	802,246	-	-	802,246	809,699
Gross carrying amount	802,246	-	-	802,246	809,699
Loss allowance	(121)	-	-	(121)	(165)
Carrying amount	802,125	-	-	802,125	809,534

30. Risk management *(continued)*

Financial risk *(continued)*

Credit risk *(continued)*

Loss allowance

The loss allowance recognised during the year may be impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

	Takaful operations				
	31 December 2023				31 December 2022
	Stage 1	Stage 2	Stage 3	Total	
	SAR '000				
Opening loss allowance	1,172	-	-	1,172	907
Movements with the statement of income					
Transfers:					
Transfer from stage 1 to stage 2	-	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-	-
New financial assets originated or purchased	673	-	-	673	1,044
Net re-measurement of loss allowance	(327)	-	-	(327)	(779)
Write-offs	-	-	-	-	-
Total loss allowance for the year	346	-	-	346	265
Closing loss allowance	1,518	-	-	1,518	1,172

	Shareholders' operations				
	31 December 2023				31 December 2022
	Stage 1	Stage 2	Stage 3	Total	
	SAR '000				
Opening loss allowance	165	-	-	165	151
Movements with the statement of income					
Transfers:					
Transfer from stage 1 to stage 2	-	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-	-
New financial assets originated or purchased	60	-	-	60	91
Net re-measurement of loss allowance	(104)	-	-	(104)	(77)
Write-offs	-	-	-	-	-
Total loss allowance for the year	(44)	-	-	(44)	14
Closing loss allowance	121	-	-	121	165

30. Risk management *(continued)*

Financial risk *(continued)*

Credit risk *(continued)*

The analysis of the credit ratings of the investment in sukuks and murabaha deposit is as follows:

	31 December 2023	
	Takaful operations	Shareholders' operations
	SAR '000	
S & P equivalent (A+)	-	536,650
S & P equivalent (A)	628,337	20,000
S & P equivalent (A-)	1,983,426	60,000
S & P equivalent (BBB+)	3,788	-
S & P equivalent (BBB-)	22,500	50,000
	2,638,051	666,650

	31 December 2022	
	Takaful operations	Shareholders' operations
	SAR '000	
S & P equivalent (AAA)	-	585,524
S & P equivalent (A)	175,000	
S & P equivalent (A+)	22,495	-
S & P equivalent (A-)	-	-
S & P equivalent (BBB+)	1,444,817	144,900
	1,642,312	730,424

31. Approval of the financial statements

These financial statements were approved by the Board of Directors of the Company, on 18 Sha‘ban 1445, corresponding 28 February 2024.

32. Supplementary information

Statement of financial position as of:

	31 December 2023		
	Takaful operations	**Shareholders' operations**	**Total**
	SAR '000		
Total assets	**4,881,875**	**1,942,312**	**6,824,187**
Total liabilities	**4,885,304**	**216,097**	**5,101,401**
Total equity	**(3,429)**	**1,726,215**	**1,722,786**

	31 December 2022 - Restated		
	Takaful operations	Shareholders' operations	Total
	SAR '000		
Total assets	2,819,327	1,511,847	4,331,174
Total liabilities	2,838,414	165,400	3,003,814
Total equity	(19,087)	1,346,447	1,327,360

	1 January 2022 - Restated		
	Takaful operations	Shareholders' operations	Total
	SAR '000		
Total assets	2,570,751	1,502,022	4,072,773
Total liabilities	2,567,896	178,001	2,745,897
Total equity	2,855	1,324,021	1,326,876

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

32. Supplementary information *(continued)*

Statement of income for the year ended:

	31 December 2023			31 December 2022 - Restated		
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
		SAR '000			SAR '000	
Insurance revenue	4,236,470	-	4,236,470	2,934,503	-	2,934,503
Insurance service expenses	(3,539,967)	-	(3,539,967)	(2,491,494)	-	(2,491,494)
Insurance service result before retakaful / reinsurance contracts held	696,503	-	696,503	443,009	-	443,009
Allocation of retakaful / reinsurance contributions	(826,985)	-	(826,985)	(464,378)	-	(464,378)
Amounts recoverable from retakaful /				-		
reinsurance for incurred claims	449,232	-	449,232	80,184	-	80,184
Net (expense) / income from retakaful / reinsurance contracts held	(377,753)	-	(377,753)	(384,194)	-	(384,194)
Insurance service result	318,750	-	318,750	58,815	-	58,815
Income on financial assets at fair value	17,917	7,578	25,495	23,478	18,169	41,647
Income on financial assets at amortised cost and short-term deposits	100,203	29,546	129,749	38,073	10,590	48,663
Fair value gain of unit-linked investments	114,009	-	114,009	(12,481)	-	(12,481)
Net credit impairment losses on financial assets	(399)	8	(391)	(265)	23	(242)
Net investment income	231,730	37,132	268,862	48,805	28,782	77,587
Finance (expense) / income from insurance contracts issued	(174,785)	-	(174,785)	25,359	-	25,359
Finance income from retakaful / reinsurance contracts held	28,562	-	28,562	6,655	-	6,655
Net insurance finance (expenses) / income	(146,223)	-	(146,223)	32,014	-	32,014
Net insurance and investment result	404,257	37,132	441,389	139,634	28,782	168,416
Other operating expenses	-	(103,975)	(103,975)	-	(98,501)	(98,501)
Other income	-	90	90	-	12,726	12,726
Net income for the year attributable to the shareholders before zakat	404,257	(66,753)	337,504	139,634	(56,993)	82,641
Provision for zakat	-	(9,443)	(9,443)	-	(10,250)	(10,250)
Net income for the year attributable to the shareholders after zakat	404,257	(76,196)	328,061	139,634	(67,243)	72,391

Notes to the financial statements *(continued)*
For the year ended 31 December 2023

32. Supplementary information *(continued)*

Statement of income for the year ended:

	31 December 2023			31 December 2022 - Restated		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
	SAR '000			SAR '000		
Net income for the year attributable to the shareholders before zakat	-	337,504	337,504	-	82,641	82,641
Net cash from operating activities	1,475,204	361,593	1,836,797	351,586	119,077	470,663
Net cash used in investing activities	(1,422,257)	(58,128)	(1,480,385)	(16,330)	(347,096)	(363,426)
Net cash from / (used in) financing activities	300,594	(310,713)	(10,119)	(249,893)	241,994	(7,899)
Net change in cash and cash equivalents	353,541	(7,248)	346,293	85,363	13,975	99,338
Cash and cash equivalents at the beginning of the period	516,725	37,784	554,509	431,362	23,809	455,171
Cash and cash equivalents at the end of the period	870,266	30,536	900,802	516,725	37,784	554,509