

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023**

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

**TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Saudi Enaya Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as of 30 September 2023 and the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim condensed statements of changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

EMPHASIS OF MATTER

We draw attention to the note (1) to the accompanying interim condensed financial statements which described the status about the signed binding merger agreement with United Cooperative Assurance Company. Our conclusion is not modified in respect of this matter.

For El Sayed El Ayouty & Co.
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Abdullah Ahmad Balamesh
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2 November 2023
18 Rabie' Al-Thani 1445H
Jeddah, Kingdom of Saudi Arabia



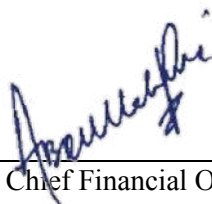
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

		30 September 2023 (Unaudited)	31 December 2022 (Restated & Unaudited) (Note 4)	1 January 2022 (Restated & Unaudited) (Note 4)
	Notes		SAR '000	
ASSETS				
Cash and cash equivalents	5	159,385	156,721	158,696
Short term murabaha deposits	6	116,395	134,546	77,866
Investments	7	1,429	1,133	1,668
Statutory deposit	8.1	34,500	34,500	22,500
Accrued income on statutory deposit	8.2	1,354	5,012	4,545
Property and equipment, net		983	1,467	1,523
Prepaid expenses and other assets		35,432	25,455	11,637
Right of use assets, net		536	1,115	679
Intangible assets, net		702	794	899
TOTAL ASSETS		350,716	360,743	280,013
LIABILITIES				
Insurance contract liabilities	9	137,842	160,522	196,097
Accrued expenses and other liabilities		847	4,503	3,137
Accrued income payable to SAMA		1,354	5,012	4,545
Lease liabilities		397	776	2,250
End of service benefits		4,992	5,172	5,787
Provision for Zakat and income tax	10	15,782	14,696	13,250
TOTAL LIABILITIES		161,214	190,681	225,066
EQUITY				
Share capital	11	230,000	230,000	150,000
Accumulated losses		(42,605)	(62,045)	(95,986)
Re-measurement reserve on end-of-service benefits related to insurance operations		2,107	2,107	933
TOTAL EQUITY		189,502	170,062	54,947
TOTAL LIABILITIES AND EQUITY		350,716	360,743	280,013
Commitments and contingencies	13	-	-	-



Chairman



Acting Chief Financial Officer



Chief Executive Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

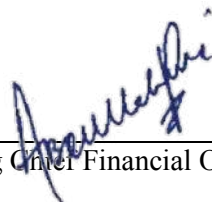
INTERIM CONDENSED STATEMENT OF INCOME

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

		<i>Three- month period ended 30 September</i>		<i>Nine - month period ended 30 September</i>	
		2022 (Restated & Unaudited) (Note 4)	2022 (Restated & Unaudited) (Note 4)	2023 (Unaudited)	2023 (Unaudited)
		2023 (Unaudited)	2023 (Unaudited)	2023 (Unaudited)	2023 (Unaudited)
		SAR '000			
		Notes			
REVENUE					
Insurance revenue	14	71,411	61,549	187,677	170,763
Insurance service expenses	14	(60,688)	(69,841)	(172,914)	(187,370)
Insurance service result	14	10,723	(8,292)	14,763	(16,607)
Investment income					
Interest revenue from financial asset not measured at fair value through profit and loss		3,859	1,406	10,477	3,299
Net gains on investments at fair value through profit and loss	7	33	56	296	187
Net credit risk reversal / (impairment) on financial assets		63	153	815	(350)
Net investment income		3,955	1,615	11,588	3,136
Net insurance and investment result		14,678	(6,677)	26,351	(13,471)
Other (expenses) / income		(975)	2,981	3,892	5,800
Other operating expenses		(2,804)	(1,980)	(9,477)	(5,903)
Net income / (loss) for the period before zakat and tax attributable to shareholders		10,899	(5,676)	20,766	(13,574)
Zakat charge	10	(253)	-	(1,253)	(500)
Income tax charge	10	(73)	-	(73)	-
Net income / (loss) for the period after zakat & tax attributable to the shareholders		10,573	(5,676)	19,440	(14,074)
Earnings / (loss) per share (expressed in SAR per share)					
Weighted average number of ordinary shares outstanding (in thousands shares)	15	23,000	15,000	23,000	15,000
Basic and diluted earnings / (loss) per share for the period (SAR / share)	15	0.46	(0.38)	0.85	(0.94)



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Chief Executive Officer

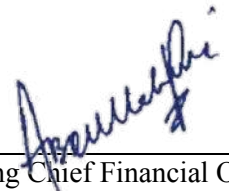
The accompanying notes from 1 to 20 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

	<i>Three - month period ended 30 September</i>		<i>Nine - month period ended 30 September</i>	
	2023	2022	2023	2022
	(Unaudited)	(Restated & Unaudited) (Note 4)	(Unaudited)	(Restated & Unaudited) (Note 4)
	SAR '000			
OTHER COMPREHENSIVE INCOME				
Net income / (loss) attributed to the shareholders	10,573	(5,676)	19,440	(14,074)
<i>items that will not be reclassified to interim condensed statement of income in subsequent periods</i>				
Actuarial losses on end-of-service benefits	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	10,573	(5,676)	19,440	(14,074)


Chairman


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Chief Executive Officer

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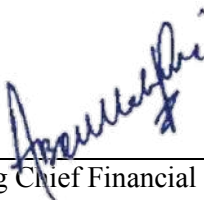
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023


	Share capital	Accumulated losses	Re-measurement reserve of end-of-service benefits – related to insurance operations	Total equity
	SAR ‘000			
Balance as at 31 December 2022 (Unaudited) (Restated)	230,000	(62,045)	2,107	170,062
Net income for the period attributable to shareholders after zakat and tax	-	19,440	-	19,440
Balance as at 30 September 2023 (Unaudited)	230,000	(42,605)	2,107	189,502
Balance as at 1 January 2022 as previously reported	150,000	(91,245)	933	59,688
<i>Adjustment on initial application of IFRS 17 & 9, net of zakat and income tax:</i>				
Impact of adopting IFRS 17	-	(4,241)	-	(4,241)
Impact of adopting IFRS 9	-	(500)	-	(500)
Restated balance as at 1 January 2022 (Unaudited) (note 4)	150,000	(95,986)	933	54,947
Adjustment on expense methodology on application of IFRS 17	-	308	-	308
Net loss for the period attributable to shareholders after zakat and tax	-	(14,074)	-	(14,074)
Balance as at 30 September 2022 (Unaudited)	150,000	(109,752)	933	41,181



Chairman



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Chief Executive Officer


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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023

		<i>Nine-months period ended</i> <i>30 September</i>	
		2022	2023
		(Restated & Unaudited)	(Unaudited)
Notes		(Note 4)	(Note 4)
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
	Net income / (loss) for the period before zakat and income tax	20,766	(13,574)
	<i>Adjustments for non-cash items:</i>		
	Depreciation of property and equipment	506	563
	Amortization of intangible assets	291	271
	Amortization of right of use assets	579	916
	Finance cost on lease liabilities	21	16
	Net credit risk (reversal) / impairment of financial assets	(804)	714
7	Unrealized gain on investments	(296)	(187)
	Provision for end-of-service benefits	230	228
	<i>Changes in operating assets and liabilities:</i>		
	Prepaid expenses and other assets	(9,958)	(15,649)
	Accrued expenses and other liabilities	(3,656)	(2,170)
	Insurance liabilities contract	(22,680)	(13,716)
	Cash used in operating activities	(15,001)	(42,588)
	End-of-service benefits paid	(410)	-
	Zakat Paid	(240)	-
	Net cash flows used in operating activities	(15,651)	(42,588)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Addition in right of use asset – net	-	(2,250)
	Proceeds from sale of investment	-	666
	Proceeds from maturity / (placement) of short-term murabaha deposits	18,936	(23,644)
	Purchase of property and equipment	(22)	(244)
	Purchase of intangible assets	(199)	(517)
	Net cash flows generated from / (used in) investing activities	18,715	(25,989)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Payment of finance lease	(400)	(400)
	Net cash flows used in financing activities	(400)	(400)
	Net change in cash and cash equivalents	2,664	(68,977)
	Cash and cash equivalents, beginning of the period	156,721	158,696
	Cash and cash equivalents, end of the period	159,385	89,719


Chairman


Acting Chief Financial Officer


Chief Executive Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

1. GENERAL

Saudi Enaya Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. 98/Q dated 16 Rabi Awwal 1433H. (Corresponding to 8 February 2012). The Company operates under Commercial Registration no. 4030223528 dated 27 Rabi Awwal 1433H (corresponding to 19 February 2012). The registered address of the Company's head office is as follows:

Building No. 7521
Al Fakhr, Al Khalidiya District
P.O. Box 3732
Jeddah 23423
Kingdom of Saudi Arabia

Following is the branch of the Company:

Branch
Riyadh

Commercial Registration Number:
1010421871

The Company is licensed to conduct medical insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi shareholders and the general public and 23% owned by non-Saudi shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.

On 27 Rajab 1432H (corresponding to 29 June 2011), the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/49). On 27 February 2012, the Saudi Central Bank ("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 11 Jamada Al-Awwal 1444H corresponding to 05 December 2022, the Company signed a non-binding Memorandum of Understanding ("MOU") with United Cooperative Assurance Company (UCA) to evaluate a potential merger between the two companies. On 27 Sha'ban 1444H (corresponding to 19 March 2023), the Company received no objection from General Authority for Competition to an Economic Concentration process through merger transaction of the Company with United Cooperative Assurance Company. On 11 Thul Qaedah 1444H (corresponding to 31 May 2023), the Company announced that it has signed a binding merger agreement with UCA ("the Merger Agreement") reflecting the agreement of both companies to merge through a share swap transaction, whereby UCA shall issue 0.84 ordinary shares in UCA against each issued share in the Company ("Exchange Ratio"), to the benefit of the entitled shareholders in the Company (i.e., shareholders owning the shares issued in the Company on the effective date of the Merger Transaction) as consideration for the transfer of assets and liabilities of the Company to UCA and without any cash consideration being paid ("Merger Transaction" or "Transaction" or "Merger"), all in accordance with applicable laws, notably the Companies Law issued by the Ministry of Commerce, the regulations of the Capital Market Authority ("CMA"), including the Mergers and Acquisitions Regulations, the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules, as well as the relevant regulations of the Saudi Central Bank.

As at 30 September 2023, the due diligence was completed and submitted to SAMA. Subsequent to the period ended, the Company has obtained SAMA approval regarding the merger transaction (note 18).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed financial statements for the three-month and nine-month periods ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). This is the third set of the Company's interim condensed financial statements in which IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant accounting policies are described in Note 3.

The interim condensed financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value, measurement of employees' end of service benefits which are recognized at the present value of future obligations. The Company's interim condensed statement of financial position is not presented using a current / non-current classification.

However, the following balances would generally be classified as current: cash and cash equivalents, short term murabaha deposits, prepaid expenses and other assets, insurance contract liabilities, accrued and other liabilities and zakat and income tax. The following balances would generally be classified as non-current: end-of-service benefits, related parties' balances, accrued commission income on statutory deposit, investments held at fair value through income statement, statutory deposit, property and equipment – net, intangible assets – net and right of use assets – net.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2022.

(b) Functional and presentation currency

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest thousands, except where otherwise indicated.

(c) Use of judgments and estimates

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2022.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

2. BASIS OF PREPARATION (continued)

(c) Use of judgments and estimates (continued)

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

i. Estimates of future cash flows to fulfil insurance contracts

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

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

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

Judgement is involved in assessing the most appropriate method to estimate the risk adjustment for non-financial risk.

iii. Definition and classification

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

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

iv. Unit of account

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

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

v. Insurance contracts aggregation

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

2. BASIS OF PREPARATION (continued)

(c) Use of judgments and estimates (continued)

v. Insurance contracts aggregation (continued)

For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement.

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

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

vi. Recognition and derecognition

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

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

vii. Fulfilment cash flows

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17. Judgements might be involved to determine when the Company is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period. Where features such as options and guarantees are included in the insurance contracts, judgement might be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

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

viii. Financial performance

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

An entity might apply judgement to determine whether the treatment of certain consequential insurance risks within liability for remaining coverage (LRC) or liability for incurred claims (LIC) reflects the most useful information about the insurance services provided by the entity to the policyholder.

(d) Seasonality of operations

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract

Amendments to IAS 37 Amendments to IFRS 3 Reference to the Conceptual Framework

These amendments had no impact on the interim condensed financial statements of the Company

b) Significant accounting policies, including key judgments and estimates

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

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Company has applied the full retrospective approach to each group of insurance contracts.

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

The General Measurement Model (GMM) is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

The liability for remaining coverage includes:

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

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

The Company uses the PAA for measuring contracts with a coverage period of one year or less. The Company is adopting the PAA measurement model for the measurement of LRC. This is principally based on the eligibility test for fulfilment cash flows and that coverage period for contracts are one year or less.

Initial and subsequent measurement

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Initial and subsequent measurement (continued)

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

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

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

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

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

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

Contract boundary

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

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

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

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Insurance acquisition costs and directly attributable expenses

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

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

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

Other operating expenses

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

Insurance revenue

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

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

Insurance service expenses

Insurance service expenses include the following:

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

Loss Component

The Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the Company over the carrying amount of the liability for remaining coverage of the Company as determined.

Insurance Finance income and expense

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.

The Company does not adjust the LRC for insurance contract issued and the remaining coverage for reinsurance contract held for the effect of the time value of money as insurance premium are due within the coverage of contracts which is one year or less.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are not adjusted for the time value of money since health insurance contracts issued by the Company and measured under the PAA typically have a settlement period of less than one year.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Onerous Contract

If a group of contracts becomes onerous, the Company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognized in insurance service expenses. Subsequently, the Company amortizes the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortization is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Company re-measures the FCF by applying the GMM and reflects changes in the FCF by adjusting the loss component as required until the loss component is reduced to zero.

Discount Rates

Under the PAA, the Company has the option to not discount the LRC or LIC. As discussed above, no adjustments for the time value of money were made for the insurance liabilities (LRC and LIC). As such, the Company did not need to determine discount rates as all contracts were measured under the PAA.

Risk Adjustments

Liability for Incurred Claims: The Company to measure Risk Adjustment under Liability for Incurred Claims (LIC) is the percentile approach (Value-at-Risk), which uses the full probability distribution of the reserves; to this extent the disclosure of the confidence level is intrinsic to the proposed methodology. The Solvency II method was used and the confidence level was set at 75%.

Liability for Remaining Coverage

The methodology for LRC Risk Adjustment calculation relies on un-aged ultimate Current Year Combined-ratio deviations from the Expected Current Year Combined-ratio. A log-normal distribution will be estimated, which captures the so-called ‘process error’. In addition, the model allows to assess the uncertainty in the estimated parameters, and the ‘estimation error’ is captured as well. The confidence level used is 75%.

Liability for Incurred Claims “LIC”

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

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

The main assumption underlying these techniques is that the Company’s past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Liability for Incurred Claims “LIC” (continued)

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

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

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

Financial assets – Classification

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

Financial assets at amortized cost

Debt Instruments:

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

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

Financial assets at FVOCI

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Financial assets – Classification (continued)

Financial assets at FVTPL

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

Business Model Assessment:

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI Test:

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Debt instruments measured at fair value through other comprehensive income:

The Company applies the new category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The SPPI Test: (continued)

Financial assets measured at fair value through profit or loss:

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

Impairment of financial assets:

Overview of Expected Credit Loss (“ECL”) principles

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

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

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

No impairment loss is recognized on equity instruments.

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

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

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

Staging of financial assets

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment of financial assets: (continued)

Credit impaired financial asset

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

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

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

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:

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

Definition of default

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

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

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

ECL methodology and measurement

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

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

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment of financial assets: (continued)

Loss Given Default ('LGD')

Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD')

The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate

While estimating the ECL, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyzes the relationship between key economic trends with the estimate of PD. 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 reports from economic experts and 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 Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

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

Financial liabilities

Classification and derecognition of financial liabilities

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES

As stated in note 2, this is the Company's third interim condensed financial statements prepared in accordance with the requirements of IFRS 17 and IFRS 9 standards which were effective from 1 January 2023.

The significant accounting policies set out in note 3 have been applied in preparing the interim condensed financial statements for the period ended 30 September 2023 and 30 September 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 the opening IFRS 17 and IFRS 9 statement of financial position, the Company has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39 respectively.

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

Presentation changes in the interim condensed statement of financial position are introduced by IFRS 17. The previously reported line items: premiums receivable - net, deferred policy acquisition costs, unearned premiums, outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserve are presented together by portfolio on a single line called insurance contract liabilities.

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

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

Impact on Equity:

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 as at 1 January 2022
Adjustment to technical provisions for the impact of difference between the IFRS 17 Risk adjustment for non-financial risk and the IFRS 4 prudence margins	<i>Decrease by SAR 3.6 million</i>
Recognition of onerous contracts at inception given that level of aggregation under IFRS 17 is more granular	<i>Decrease by SAR 3.6 million</i>
Impact of additional expenses classified as IFRS 17 acquisition costs to be deferred	<i>Increase by SAR 3 million</i>
Total Impact	<i>Decrease by SAR 4.2 million</i>

Impact on Liabilities and Assets:

	Impact on transition to IFRS 17 as at 1 January 2022
Liabilities	
Reclassification of items disclosed as separate line items under IFRS 4	<i>Decrease by SAR 65.4 million</i>
Adjustment to technical provisions for the impact of difference between the IFRS 17 Risk adjustment for non-financial risk and the IFRS 4 prudence margins	<i>Increase by SAR 3.6 million</i>
Recognition of onerous contracts at inception given that level of aggregation under IFRS 17 is more granular	<i>Increase by SAR 3.6 million</i>
Impact of additional expenses classified as IFRS 17 acquisition costs to be deferred	<i>Decrease by SAR 3 million</i>
Total Impact on Liabilities	<i>Decrease by SAR 61.2 million</i>
Assets	
Reclassification of items disclosed as separate line items under IFRS 4	<i>Decrease by SAR 65.4 million</i>
Total Impact on Assets	<i>Decrease by SAR 65.4 million</i>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

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

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

Particulars	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<u>Financial Assets:</u>				SAR '000
Cash and cash equivalents	Amortized Cost	Amortized Cost	159,152	158,696
Short term Murabaha deposits	Amortized Cost	Amortized Cost	77,908	77,866
Investment in mutual funds	FVTPL	FVTPL	1,668	1,668
Statutory deposit	Amortized Cost	Amortized Cost	22,500	22,500
Accrued income on statutory deposit	Amortized Cost	Amortized Cost	4,545	4,545
Prepaid expenses and other assets	Amortized Cost	Amortized Cost	11,639	11,637

The financial assets are mainly classified as amortised cost since they meet the criteria of held to collect business model, except for investment in mutual funds which is classified at FVTPL. There are no changes in the classification of financial liabilities in the transition from IAS 39 to IFRS 9.

Impairment of financial assets

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

Particulars	31 December 2021 (IAS 39)	Re- classification	Re- measurement	1 January 2022 (IFRS 9)
Financial assets at amortized cost (IFRS 9)			(SAR '000)	
Impairment on cash and cash equivalents	-	-	456	456
Impairment on short term Murabaha deposits	-	-	42	42
Prepaid expenses and other assets	-	-	2	2
Total	-	-	500	500

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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Reconciliation of interim condensed statement of financial position as at 1 January 2022.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

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

	1 January 2022 (Unaudited)					
	Pre- adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR ‘000)					
<u>LIABILITIES</u>						
Insurance contract liabilities	-	196,097	-	-	-	196,097
Accrued and other liabilities	54,209	(51,072)	-	-	-	3,137
Lease liability	2,250	-	-	-	-	2,250
Unearned premiums	108,727	(108,727)	-	-	-	-
Outstanding claims	46,806	(46,806)	-	-	-	-
Claims incurred but not reported	15,745	(15,745)	-	-	-	-
Premium deficiency reserve	34,527	(34,527)	-	-	-	-
Other technical reserves	391	(391)	-	-	-	-
End-of-services indemnities	5,787	-	-	-	-	5,787
Zakat and income tax provision	13,250	-	-	-	-	13,250
Accrued commission income payable to SAMA	4,545	-	-	-	-	4,545
TOTAL LIABILITIES	286,237	(61,171)	-	-	-	225,066
<u>EQUITY</u>						
Share capital	150,000	-	-	-	-	150,000
Accumulated losses	(91,245)	(4,241)	-	-	(500)	(95,986)
Re-measurement reserve for end-of-service benefits	933	-	-	-	-	933
TOTAL EQUITY	59,688	(4,241)	-	-	(500)	54,947
TOTAL LIABILITIES AND EQUITY	345,925	(65,412)	-	-	(500)	280,013

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

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

	31 December 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR ‘000)					
<u>ASSETS</u>						
Cash and cash equivalents	156,742	-	-	-	(21)	156,721
Premiums receivable, net	63,372	(63,372)	-	-	-	-
Deferred policy acquisition costs	6,025	(6,025)	-	-	-	-
Short term Murabaha deposit	135,353	-	-	-	(807)	134,546
Investments	1,133	-	-	-	-	1,133
Prepaid expenses and other assets	25,474	-	-	-	(19)	25,455
Property and equipment, net	1,467	-	-	-	-	1,467
Right-of-use assets, net	1,115	-	-	-	-	1,115
Intangible assets, net	794	-	-	-	-	794
Statutory deposit	34,500	-	-	-	-	34,500
Accrued commission income on statutory deposit	5,012	-	-	-	-	5,012
TOTAL ASSETS	430,987	(69,397)	-	-	(847)	360,743

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Reconciliation of interim condensed statement of income for the period ended 30 September 2022

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

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

- Gross premiums written
- Changes in unearned premiums – net
- Gross claims paid
- Changes in outstanding claims
- Changes in claims incurred but not reported
- Changes in premium deficiency reserve
- Changes in claims handling reserves
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses
- Other income – net
- Income/loss attributed to the insurance operations

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Other operating expenses

Remeasurement impact on interim condensed statement of comprehensive income on adoption of IFRS 17 for the period ended 30 September 2022

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

- Adjustment to technical provisions for the impact of difference between the IFRS 17 Risk adjustment for non-financial risk and the IFRS 4 prudence margins - decrease by SAR 23,038;
- Recognition of onerous contracts at inception given that level of aggregation under IFRS 17 is more granular - decrease by SAR 15,813,013; and
- Impact of additional expenses classified as IFRS 17 acquisition cost to be deferred - decrease by SAR 4,452,012.

Reclassification impact on interim condensed statement of comprehensive income on adoption of IFRS 9 for the period ended 30 September 2022

- Net impairment loss under IFRS 9 is disclosed separately on the statement of income. Under IAS 39, impairment loss was disclosed as part of investment income.
- Investment income on financial assets at amortised costs and on financial assets at fair value are shown separately on the statement of income instead of presented previously as one line item.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Reconciliation of interim condensed statement of income for the three- month period ended 30 September 2022

	30 September 2022 (Unaudited)					
	Pre- adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR ‘000)					
REVENUES						
Gross premiums written	76,771	(76,771)	-	-	-	-
Net premiums written	76,771	(76,771)	-	-	-	-
Changes in unearned premiums – net	(18,754)	18,754	-	-	-	-
Net premiums earned	58,017	(58,017)	-	-	-	-
Insurance revenue	-	81,217	(19,668)	-	-	61,549
Insurance service expense	-	(98,571)	28,730	-	-	(69,841)
Insurance service result	-	(17,354)	9,062	-	-	(8,292)
UNDERWRITING COSTS & EXPENSES						
Gross claims paid	(46,967)	46,967	-	-	-	-
Net claims paid	(46,967)	46,967	-	-	-	-
Changes in outstanding claims	(5,726)	5,726	-	-	-	-
Changes in claims incurred but not reported	(1,709)	1,709	-	-	-	-
Changes in premium deficiency reserve	(5,241)	5,241	-	-	-	-
Changes in claims handling reserves	(47)	47	-	-	-	-
Net claims incurred	(59,690)	59,690	-	-	-	-
Policy acquisition costs	(3,649)	3,649	-	-	-	-
Other underwriting cost	(3,439)	3,439	-	-	-	-
Total underwriting costs & expenses	(66,778)	66,778	-	-	-	-

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Reconciliation of interim condensed statement of income for the three- month period ended 30 September 2022 (continued)

	30 September 2022 (Unaudited)					Post adoption of IFRS 17 & IFRS 9
	Pre- adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR '000)					
Investment income						
Interest revenue from financial asset not measured at FVTPL	-	-	-	1,406	-	1,406
Net loss on FVTPL investments	-	-	-	56	-	56
Net credit impairment on financial assets	-	-	-	-	153	153
NET UNDERWRITING INCOME / NET INSURANCE AND INVESTMENT RESULTS	(8,761)	(8,593)	9,062	1,462	153	(6,677)
<u>Other operating income / (expenses)</u>						
Allowance for doubtful receivables	3,347	(3,347)	-	-	-	-
General and administrative expenses	(9,027)	9,027	-	-	-	-
Investment income – net	1,406	-	-	(1,406)	-	-
Unrealized loss	56	-	-	(56)	-	-
Other income – net	2,981	-	-	-	-	2,981
<u>Total other operating income / (expenses)</u>	<u>(1,237)</u>	<u>5,680</u>	<u>-</u>	<u>(1,462)</u>	<u>-</u>	<u>2,981</u>
Net insurance and investment result	(9,998)	(2,913)	9,062	-	153	(3,696)
Other operating expenses	-	(1,980)	-	-	-	(1,980)
Net loss for the period before zakat and tax attributable to shareholders	-	-	-	-	-	-
Reversal for zakat and income tax provision	-	-	-	-	-	-
Net income for the period after zakat & tax, attributable to the shareholders	<u>(9,998)</u>	<u>(4,893)</u>	<u>9,062</u>	<u>-</u>	<u>153</u>	<u>(5,676)</u>

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Reconciliation of interim condensed statement of income for the nine- month period ended 30 September 2022

	30 September 2022 (Unaudited)					
	Pre- adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR ‘000)					
REVENUES						
Gross premiums written	173,341	(173,341)	-	-	-	-
Net premiums written	173,341	(173,341)	-	-	-	-
Changes in unearned premiums – net	(2,620)	2,620	-	-	-	-
Net premiums earned	170,721	(170,721)	-	-	-	-
Insurance revenue	-	225,331	(54,568)	-	-	170,763
Insurance service expense	-	(264,446)	77,076	-	-	(187,370)
Insurance service result	-	(39,115)	22,508	-	-	(16,607)
UNDERWRITING COSTS & EXPENSES						
Gross claims paid	(152,389)	152,389	-	-	-	-
Net claims paid	(152,389)	152,389	-	-	-	-
Changes in outstanding claims	1,891	(1,891)	-	-	-	-
Changes in claims incurred but not reported	(5,940)	5,940	-	-	-	-
Changes in premium deficiency reserve	(1,459)	1,459	-	-	-	-
Changes in claims handling reserves	(51)	51	-	-	-	-
Net claims incurred	(157,948)	157,948	-	-	-	-
Policy acquisition costs	(10,614)	10,614	-	-	-	-
Other underwriting cost	(8,838)	8,838	-	-	-	-
Total underwriting costs & expenses	(177,400)	177,400	-	-	-	-

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Reconciliation of interim condensed statement of income for the nine- month period ended 30 September 2022 (continued)

	30 September 2022 (Unaudited)					
	Pre- adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR ‘000)					
Investment income						
Interest revenue from financial asset not measured at FVTPL	-	-	-	3,299	-	3,299
Net gains on FVTPL investments	-	-	-	187	-	187
Net credit reversal / (impairment) on financial assets	-	-	-	-	(350)	(350)
NET UNDERWRITING INCOME / NET INSURANCE AND INVESTMENT RESULTS	(6,679)	(32,436)	22,508	3,486	(350)	(13,471)
<u>Other operating income / (expenses)</u>			-	-	-	-
Allowance for doubtful receivables	(342)	342	-	-	-	-
General and administrative expenses	(26,261)	26,261	-	-	-	-
Investment income – net	3,299	-	-	(3,299)	-	-
Unrealized gain	187	-	-	(187)	-	-
Other income	5,800	-	-	-	-	5,800
<u>Total other operating income / (expenses)</u>	<u>(17,317)</u>	<u>26,603</u>	<u>-</u>	<u>(3,486)</u>	<u>-</u>	<u>5,800</u>
Net insurance and investment result	(23,996)	(5,833)	22,508	-	(350)	(7,671)
Other operating expenses	-	(5,903)	-	-	-	(5,903)
Net loss for the period before zakat and tax attributable to shareholders	(23,996)	(11,736)	22,508	-	(350)	(13,574)
Provision for zakat and income tax	(500)	-	-	-	-	(500)
Net loss for the period after zakat & tax, attributable to the shareholders	(24,496)	(11,736)	22,508	-	(350)	(14,074)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Reconciliation of interim condensed statement of comprehensive income for the three – month period ended 30 September 2022

	30 September 2022 (Unaudited)					
	Preadoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement (SAR '000)	Reclassification	Remeasurement	
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	(9,998)	(4,893)	9,062	-	153	(5,676)
Other comprehensive income / (loss)						
Items that will not be reclassified to interim condensed statement of income in subsequent periods						
Actuarial losses on defined benefit obligation	-	-	-	-	-	-
Total other comprehensive income	(9,998)	(4,893)	9,062	-	153	(5,676)
Total comprehensive income for the Period	-	-	-	-	-	-

Reconciliation of interim condensed statement of comprehensive income for the nine – month period ended 30 September 2022

	30 September 2022 (Unaudited)					
	Preadoption of IFRS 17 & IFRS 9	IFRS 17	IFRS 9		Post adoption of IFRS 17 & IFRS 9	
		Reclassification	Remeasurement (SAR '000)	Reclassification	Remeasurement	
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	(24,496)	(11,736)	22,508	-	(350)	(14,074)
Other comprehensive income / (loss)						
Items that will not be reclassified to interim condensed statement of income in subsequent periods						
Actuarial losses on defined benefit obligation	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the Period	(24,496)	(11,736)	22,508	-	(350)	(14,074)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Details of the accumulated losses resulting from transition to IFRS 17 and IFRS 9 are as follows:

	Share capital	Accumulated losses	Re- measurement reserve end- of-service benefits	Total equity
1 January 2022 (previously reported)	150,000	(91,245)	933	59,688
Recognition of expected credit losses under IFRS 9	-	(500)	-	(500)
Reclassifications under IFRS 17	-	(4,241)	-	(4,241)
1 January 2022 (Unaudited)	150,000	(95,986)	933	54,947
31 December 2022 (previously reported)	230,000	(60,530)	2,107	171,577
Recognition of expected credit losses under IFRS 9	-	(847)	-	(847)
Reclassifications under IFRS 17	-	(668)	-	(668)
31 December 2022 (Unaudited)	230,000	(62,045)	2,107	170,062

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

30 September 2023 (unaudited)			
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Bank balances	15,284	1,558	16,842
Deposits maturing within 3 months from the acquisition date	-	142,553	142,553
Less: Impairment allowance	-	(10)	(10)
	15,284	144,101	159,385
31 December 2022 (unaudited)			
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Bank balances	23,074	772	23,846
Deposits maturing within 3 months from the acquisition date	-	132,896	132,896
Less: Impairment allowance	-	(21)	(21)
	23,074	133,647	156,721
1 January 2022 (unaudited)			
	Insurance operations	Shareholders' operations	Total
	SAR'000		
Bank balances	49,959	79	50,038
Deposits maturing within 3 months from the acquisition date	-	109,114	109,114
Less: Impairment allowance	-	(456)	(456)
	49,959	108,737	158,696

The movement of impairment allowance for cash and cash equivalent are as follows:

	Shareholders' operations		
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Balance at the beggining of the period / year	21	456	-
Impairment / (reversal) allowance during the period / year	(11)	(435)	456
Balance at the end of the period / year	10	21	456

The deposits are held with commercial banks and finical institution in the Kingdom of Saudi Arabia and GCC. These deposits are denominated in Saudi Arabian Riyals and have an original maturity of not exceeding three months.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

6. SHORT TERM MURABAHA DEPOSITS

	Shareholders' operations		
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Short term murahaba deposit	116,417	135,353	77,908
Less: Impairment allowance	(22)	(807)	(42)
	116,395	134,546	77,866

The movement of impairment allowance for short term Murabaha deposit are as follows:

	Shareholders' operations		
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Balance at the beggining of the period / year	807	42	-
(Reversal) / impairment allowance during the period / year	(785)	765	42
Balance at the end of the period / year	22	807	42

Murabaha deposits having original maturity of more than three months but less than a year, which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia and are presented in the statement of financial position). As at 30 September 2023, the deposit carrying commission rate at 5.8% (31 December 2022: 3.3% to 5.5%). The balance of short term Murabaha deposits are adjusted with ECL required to be booked under IFRS 9.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

7. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations		
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Held at fair value through profit or loss (FVTPL)	1,429	1,133	1,668

Movement in the FVTPL investments balance is as follows:

	Shareholders' operations		
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Opening balance	1,133	1,668	8,047
Realized gain on investments	-	2	42
Sold during the period / year	-	(666)	(6,658)
Unrealized gain on investments	296	129	237
Closing balance	1,429	1,133	1,668

	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Saudi Fransi GCC IPO Fund	1,429	1,133	1,668

8. STATUTORY DEPOSIT

	Shareholders' operations		
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Statutory deposit	34,500	34,500	22,500

8.1 As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid-up share capital, in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 12 December 2022, the Company received the proceeds against the increase in share capital by SAR 130 million. On 21 December 2022, the Company deposited the additional required statutory deposit amounted SAR 12 million.

8.2 On 18 September 2023, the Company has paid SAR 5,012 million of the accrued income on statutory deposit to SAMA.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

9. INSURANCE CONTRACT LIABILITIES

**For the nine-months period
ended 30 September 2023**

	Liability for Remaining Coverage (LRC)	Loss Component (LC)	Liability for Incurred Claims (LIC)	Risk Adjustment (RC)	Total
	SAR'000				
Insurance contract issued					
Opening insurance contract liabilities	48,592	21,614	87,544	2,772	160,522
Insurance revenue	(187,677)	-	-	-	(187,677)
Incurred claims and other direct attributable expense	-	-	174,172	-	174,172
Changes that relate to past services – changes in the fulfilment cash flows (FCF) relating to the LIC	-	-	(13,171)	(108)	(13,279)
Loss on onerous contracts and reversal of those losses	-	(6,206)	-	-	(6,206)
Insurance acquisition cash flows	18,227	-	-	-	18,227
Insurance service expenses	18,227	(6,206)	161,001	(108)	172,914
Insurance service result	(169,450)	(6,206)	161,001	(108)	(14,763)
Cash flows					
Premium received	181,801	-	-	-	181,801
Claims and other directly attributable expenses paid	-	-	(166,190)	-	(166,190)
Insurance acquisitions cash flows	(23,528)	-	-	-	(23,528)
Total cash flows	158,273	-	(166,190)	-	(7,917)
Closing insurance contract Liabilities	37,415	15,408	82,355	2,664	137,842

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

9. INSURANCE CONTRACT LIABILITIES – (continued)

For the year ended 31 December
2022 (Unaudited)

	Liability for Remaining Coverage (LRC)	Loss Component (LC)	Liability for Incurred Claims (LIC)	Risk Adjustment (RC)	Total
	SAR'000				
Insurance contract issued					
Opening insurance contract liabilities	49,416	38,088	104,999	3,594	196,097
Insurance revenue	(226,930)	-	-	-	(226,930)
Incurred claims and other direct attributable expense	-	-	239,408	-	239,408
Changes that relate to past services – changes in the fulfilment cash flows (FCF) relating to the LIC	-	-	(11,680)	(822)	(12,502)
Loss on onerous contracts and reversal of those losses	-	(16,474)	-	-	(16,474)
Insurance acquisition cash flows	23,273	-	-	-	23,273
Insurance service expenses	23,273	(16,474)	227,728	(822)	233,705
Insurance service result	(203,657)	(16,474)	227,728	(822)	6,775
Cash flows					
Premium received	222,738	-	-	-	222,738
Claims and other directly attributable expenses paid	-	-	(245,183)	-	(245,183)
Insurance acquisitions cash flows	(19,905)	-	-	-	(19,905)
Total Cash flows	202,833	-	(245,183)	-	(42,350)
Closing insurance contract Liabilities	48,592	21,614	87,544	2,772	160,522

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

10. ZAKAT AND INCOME TAX

The differences between the financial and the Zakat results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the period / year

	Zakat Payable	Income tax payable	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	30 September 2022 (Unaudited)
				SAR'000	
Balance at the beginning of the period / year	14,696	-	14,696	13,250	13,250
Provision adjustment for prior periods / years	-	-	-	361	-
Provided during the period / year	1,253	73	1,326	1,085	500
Total provision charged to income statement	1,253	73	1,326	1,446	13,750
Paid during the period / year	(240)	-	(240)	-	-
Balance at the end of the period / year	15,709	73	15,782	14,696	13,750

Status of zakat assessments

The Company filed its Zakat and tax returns until the year ended 31 December 2022 and zakat assessments until 2014 have been finalized and settled.

Zakat, Tax and Customs Authority ("ZATCA") has raised assessments for the years 2015 through 2018 with additional zakat of SR 9.49 million. The Company has submitted an appeal to the Tax Violations and Dispute Resolutions Committee ("TVDRRC") against the ZATCA's assessment. The TVDRRC heard the case and issued the decision reducing the liability by SR 86 thousand. The Company and ZATCA filed an appeal with the Tax Violations and Dispute Appellate Committee ("TVDAC"). During October 2023, the TVDAC heard the case with the attendance of both parties and subsequently issued the minutes of the meeting upholding TVDRRC's decision. The formal decision is yet to be issued by the TVDAC to assess the zakat impact / outstanding liability.

The Zakat and tax returns for the years 2019 through 2022 are currently under review by the ZATCA.

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11. SHARE CAPITAL

	Shareholders' operations		
	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
	SAR'000		
Share capital	230,000	230,000	150,000

As at 30 September 2023, the authorized, subscribed and paid-up share capital of the Company was SAR 230 million, divided into 23 million shares of SAR 10 each (31 December 2022: SAR 230 million, divided into 23 million shares of SAR 10 each and 31 December 2021: SAR150 million, divided into 15 million shares of SAR 10 each).

On 20 Muharram 1444H corresponding to 18 August 2022, the Board of Directors had recommended reducing the Company's share capital from SAR 150 million to SAR 100 million by offsetting with accumulated losses. In an Extraordinary General Assembly meeting (second meeting) held on 22 Rabi Al Awwal 1444H corresponding to 18 October 2022, the Shareholders of the Company have approved this reduction and the required changes in the Company's by-laws relating to this reduction, accordingly the share capital and accumulated losses have been reduced by SAR 50 million. The capital reduction was through reduction of 1 share for every 3 shares held by the Shareholder. The purpose of capital reduction was restructuring the capital position of the Company in order to meet the compliance with the Companies Law. There was no impact of capital reduction on the Company's financial obligations.

On 20 Muharram 1444H corresponding to 18 August 2022, the Board of Directors recommended to increase the Company's capital, through right issue with a total value of SAR 130 million. Through offering priority rights shares to reach to SAR 230 million. In an Extraordinary General Assembly meeting (second meeting) held on 12 Rabi Al Thani 1444H corresponding to 6 November 2022, the Shareholders of the Company have approved this increase and the required changes in the Company's by-laws relating to this increase. Accordingly, the share capital was increased by SAR 130 million. The capital increase was through an increase of 1.3 shares for every 1 share held by the Shareholder. The purpose of capital increase was to support the Company's future plans and enhance the solvency margin. The Company has completed the related legal formalities.

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12. 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 to ensure that it is able to continue as a going concern and comply with the regulator's 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 up share capital, reserves and accumulated losses. The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the 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 SAMA Implementing Regulations:

- Minimum Capital Requirement of SAR 100 million.
- Premium Solvency Margin.
- Claims Solvency Margin.

The Company is in compliance with all the externally imposed Capital requirements with sound solvency margin. The Capital structure of the Company as at 30 September 2023 consists of paid-up share Capital of SAR 230 million (31 December 2022: SAR 230 million) and accumulated losses of SAR 42.61 million (31 December 2022: SAR 62.04 million) in the interim condensed 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.

13. COMMITMENTS AND CONTINGENCIES

The Company has no contingencies or letter of guarantee as at 30 September 2023 (31 December 2022 and 2021: Nil). There were no capital commitments outstanding as at 30 September 2023 (31 December 2022 and 2021: Nil).

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending legal proceedings, management does not believe that such proceedings will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

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14. OPERATING SEGMENTS

The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

Operating segments	30 September 2023 (unaudited)		
	Corporate	SME & Others	Total
ASSETS	SAR'000		
Unallocated assets	-	-	350,716
Total assets	-	-	350,716
LIABILITIES			
Liability of Incurred Claims	39,981	45,038	85,019
Liability of Remaining Coverage	32,274	20,549	52,823
Insurance contract liabilities	72,255	65,587	137,842
Unallocated liabilities			23,372
Total liabilities			161,214
	31 December 2022 (unaudited)		
Operating segments	Corporate	SME & Others	Total
ASSETS	SAR'000		
Unallocated assets	-	-	360,743
Total assets	-	-	360,743
LIABILITIES			
Liability of Incurred Claims	36,011	54,305	90,316
Liability of Remaining Coverage	14,644	55,562	70,206
Insurance contract liabilities	50,655	109,867	160,522
Unallocated liabilities			30,159
Total liabilities			190,681
	1 January 2022 (unaudited)		
Operating segments	Corporate	SME & Others	Total
ASSETS	SAR'000		
Unallocated assets	-	-	280,013
Total assets	-	-	280,013
LIABILITIES			
Liability of Incurred Claims	64,651	43,941	108,592
Liability of Remaining Coverage	19,657	67,848	87,505
Insurance contract liabilities	84,308	111,789	196,097
Unallocated liabilities			28,969
Total liabilities			225,066

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14. OPERATING SEGMENTS (continued)

	Three-month period ended 30 September 2023 (unaudited)			Three-month period ended 30 September 2022 (unaudited)		
	Corporate	SME & Other	Total	Corporate	SME & Other	Total
	SAR'000			SAR'000		
Insurance revenue	35,664	35,747	71,411	57,765	3,784	61,549
Insurance service expenses	(33,520)	(27,168)	(60,688)	(67,252)	(2,589)	(69,841)
Insurance service result	2,144	8,579	10,723	(9,487)	1,195	(8,292)
Interest revenue from financial asset not measured at FVTPL			3,859			1,406
Net gains / (loss) on FVTPL investments			33			56
Net credit risk reversal / (impairment) on financial assets			63			153
Net investment income			3,955			1,615
Net insurance and investment result			14,678			(6,677)
Other (loss) / income			(975)			2,981
Other operating expenses			(2,804)			(1,980)
Net Income / (loss) for the period before Zakat and Tax attributable to shareholders			10,899			(5,676)
Provision for Zakat and Income Tax			(326)			-
Net income / (loss) for the period after Zakat & Tax, attributable to the shareholders			10,573			(5,676)

The details of gross written premium are as follows:

	Three-month period ended 30 September	
	2023 (unaudited)	2022 (unaudited)
	SAR '000	
Individual	-	38
Micro enterprises	1,023	1,786
Small enterprises	24,661	27,741
Medium enterprises	19,033	15,282
Large enterprises	31,442	31,924
	76,159	76,771

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14. OPERATING SEGMENTS (continued)

	Nine-month period ended 30 September 2023 (unaudited)			Nine-month period ended 30 September 2022 (unaudited)		
	Corporate	SME & Other	Total	Corporate	SME & Other	Total
	SAR'000			SAR'000		
Insurance revenue	89,764	97,913	187,677	108,855	61,908	170,763
Insurance service expenses	(86,888)	(86,026)	(172,914)	(145,165)	(42,205)	(187,370)
Insurance service result	2,876	11,887	14,763	(36,310)	19,703	(16,607)
Interest revenue from financial asset not measured at FVTPL			10,477			3,299
Net gains on FVTPL investments			296			187
Net credit risk reversal / (impairment) on financial assets			815			(350)
Net investment income			11,588			3,136
Net insurance and investment result			26,351			(13,471)
Other income			3,892			5,800
Other operating expenses			(9,477)			(5,903)
Net Income / (loss) for the period before Zakat and Tax attributable to shareholders			20,766			(13,574)
Provision for Zakat and Income Tax			(1,326)			(500)
Net income / (loss) for the period after Zakat & Tax, attributable to the shareholders			19,440			(14,074)

The details of gross written premium are as follows:

	Nine-months period ended 30 September	
	2023 (unaudited)	2022 (unaudited)
	SAR '000	
Individual	3,805	2,184
Micro enterprises	4,340	10,862
Small enterprises	70,257	69,755
Medium enterprises	57,620	40,154
Large enterprises	70,166	50,386
	206,188	173,341

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15. EARNINGS / (LOSS) PER SHARE

The basic and diluted earnings / (loss) per share for the period has been calculated by dividing the net income / (loss) for the year by the weighted average number of issued and outstanding shares for the period.

- a. The weighted average number of shares have been adjusted retrospectively for prior period to reflect the bonus element of right share issue as required by IAS 33 "Earnings per share" as follows:

	For the nine-months period ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	Shares' 000	
Issued ordinary shares as at 1 January	23,000	15,000
Balance at the end of the period	23,000	15,000

- b. The basic and diluted earnings / (loss) per share is calculated as follows:

	For the nine-months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Net income / (loss) for the period – (SAR'000)	19,440	(14,074)
Weighted average number of ordinary shares – (shares'000)	23,000	15,000
Basic and diluted earnings / (loss) per share (SAR / Share)	0.85	(0.94)

16. 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 advantages accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the financial information.

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: 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.

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

a. 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.

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
		SAR'000			
30 September 2023 (unaudited)					
Financial assets measured at fair value					
- Investments held at FVTPL	1,429	1,429	-	-	1,429
	1,429	1,429	-	-	1,429
Financial assets not measured at fair value					
- Short term murabaha deposits	116,395	-	-	116,395	116,395
	116,395	-	-	116,395	116,395
Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
		SAR'000			
31 December 2022 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVTPL	1,133	1,133	-	-	1,133
	1,133	1,133	-	-	1,133
Financial assets not measured at fair value					
- Short term murabaha deposits	134,546	-	-	134,546	134,546
	134,546	-	-	134,546	134,546
Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
		SAR'000			
1 January 2022 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVTPL	1,668	1,668	-	-	1,668
	1,668	1,668	-	-	1,668
Financial assets not measured at fair value					
- Short term murabaha deposits	77,866	-	-	77,866	77,866
	77,866	-	-	77,866	77,866

All of the investments and Murabaha deposits are held within Kingdom of Saudi Arabia and GCC.

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17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

17.1 TRANSACTIONS WITH RELATED PARTIES

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:

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	<u>Nature of transactions</u>	<u>Transactions during the three-month period ended 30 September</u>		<u>Transactions during the nine-month period ended 30 September</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
		SAR'000			
Juffali Group – (affiliates)	Gross premium written	16	-	1,878	1,537
	Gross claims paid	294	436	987	1,049
	Purchase of computer equipment, licenses, vehicles and other services	161	-	161	104
	Commission paid	-	289	-	289
International Medical Center – (Affiliate)	Gross claims paid	-	-	2	

17.2 BALANCES WITH RELATED PARTIES

	<u>Balance receivable as at</u>	
	<u>30 September</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	SAR'000	
Juffali Group	1,455	755
International Medical Center	-	1,982
	1,455	2,737

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company.

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17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

17.2 BALANCES WITH RELATED PARTIES (Continued)

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the period ended:

	Nine-month period ended	
	30 September	30 September
	2023	2022
	(Unaudited)	(Unaudited)
	SAR'000	
<i>Top management executives</i>		
Salaries and other allowances	4,006	2,287
End of service indemnities	149	87
	4,155	2,374
<i>Board and committees</i>		
Board and committees' remuneration and fees	1,309	1,636

18. SUBSEQUENT EVENT

On 01 Rabi Al-Thani 1445H (corresponding to 16 October 2023), the Company has announced the issuance of SAMA's approval regarding the Merger Transaction on 30 Rabi Al-Awwal 1445H (corresponding to 15 October 2023) and other ancillary matters, noting that the completion of the Merger Transaction remains subject to other conditions including certain regulatory approvals and the affirmative votes of the extraordinary general assemblies of both the Company and United Cooperative Assurance Company on the Merger Transaction.

Except the above, there were no subsequent events after the statement of financial position date which require adjustments to /or disclosure in the interim condensed financial statements.

19. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors, on 14 Rabie' Al-Thani 1445H (corresponding to 29 October 2023).