Years of Success

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

ANNUAL REPORT
2023

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

The Arab Investment and Export Credit Guarantee Corporation (Dhaman) is an independent Arab regional organization established in 1974, in accordance with a multilateral convention signed by 21 Arab states, deposited with the Ministry of Foreign Affairs in the State of Kuwait. Current shareholding membership comprises of all Arab states, and four Arab financial regional organizations. Dhaman commenced its operations in mid-1975, through its Headquarters in Kuwait and it has a regional office in Riyadh- Saudi Arabia.

OBJECTIVES:

In accordance with its establishment convention, Dhaman's two key objectives are:

- To provide insurance coverage against non-commercial risks for inter-Arab and foreign investments in development projects, in the Arab countries. Furthermore, Dhaman provides insurance against commercial and non-commercial risks, for inter-Arab and worldwide Arab export credits.
- To raise awareness of investments in Arab countries by means of a group of complementary activities and ancillary services, aiming at enhancing the business environment & investment climate, identifying available investment opportunities, and developing human capital in Arab countries.

In order to meet its objectives, Dhaman provides cover against non-commercial risks for new and existing foreign direct investments in Arab countries. Both Arab and non-Arab investors are eligible for coverage. Dhaman also provides trade credit insurance products to protect Arab companies exporting worldwide against both non-commercial and commercial risks. Domestic sales are also eligible to cover against commercial risks. Non-Arab companies selling commodities, equipment and strategic goods to Arab countries can also apply for Dhaman's cover against political and commercial risks. Depending on the covered risk, Dhaman pays compensation varying between 80% and 100% of the loss within one to six months from the date of such loss. Dhaman also carries out research and studies, provides technical assistance and consultancy services in the fields of its competence.

In March 2024, Standard & Poor's Rating Services reaffirmed its "A+" rating of Dhaman with stable Outlook, with respect to Dhaman's counterparty credit rating as well as its financial strength Rating as an insurer, reflecting both Dhaman's very strong business and financial profile.

Headquarters

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Website: www.dhaman.org

Dhaman's Structure

The Arab Investment and Export Credit Guarantee Corporation (Dhaman) consists of the following organizational structure:

1. The Shareholders' Council (General Assembly)

The Shareholders Council is the highest authority of Dhaman. It represents all members (states and entities) and fully entitled to achieve Dhaman's objectives. The Council, among other things, formulates general policies governing Dhaman's activities, interprets and amends provisions of the establishment Convention, and appoints members of the Board of Directors and the Director-General.

2. The Board of Directors

The Board of Directors consists of nine part-time members, appointed by the Shareholders Council for a three-year term. The Board elects its Chairman from among its members.

Within its authorities provided in the Convention, the Board prepares the financial and administrative rules for Dhaman, approves the operations and research programs suggested by the Director-General, and pursues its implementation. It determines utilization of Dhaman's capital. It also sets the annual budget and presents the annual report including Dhaman's activities to the Shareholders' Council. Appointing directors of departments and determining their salaries All the other competences stipulated in the Institution convention.

The current members of the Board of Directors:

1.	H.E. Dr. Naif AbdulRahman Al-Shammari	Chairman
2.	H.E. Mr. Jamal Abdullah Farraj Alghanim	Member
3.	H.E. Dr. Mohamed Masoud Aldrogi	Member
4.	H.E. Mrs. Mariam Mohamed Alameeri	Member
5.	H.E. Mr. Mohsen Saleh A M Albahili	Member
6.	H.E. Mrs. Mohammed Abdesamad El Hamraoui	Member
7.	H.E. Mr. Noureddine Ouldhamrane	Member
8.	H.E. Dr. Tarek Mohamed Elsharawy	Member
9.	H.E. Mr. Zahir Marhoun Mohammed Alabri	Member

3. The Director-General

H.E. Mr. Abdullah Ahmed Al Sabeeh

4. Professional and Administrative Staff

His Excellency the Chairman of the 51st Session of the Shareholders' Council of the Arab Investment and Export Credit Guarantee Corporation,

In accordance with Article (12/1) (e) of the Arab Investment and Export Credit Guarantee Corporation's Convention, it is my pleasure to submit to your honorable Council for consideration the Annual Report of the Board of Directors on Dhaman's activity for the year 2023.

Please accept my highest consideration,

Dr. Naif AbdulRahman Al-Shammari
Chairman of the Board of Directors

Arab Republic of Egypt

May 2024

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Note: The complete English version of this Annual Report is downloadable from our website at:

www.dhaman.org

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

FINANCIAL STATEMENTS
31 DECEMBER 2023

Ernst & Young
Al Aiban, Al Osaimi & Partners
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INDEPENDENT AUDITOR'S REPORT TO THE CHAIRMAN AND MEMBERS OF THE ARAB INVESTMENT & EXPORT CREDIT GUARANTEE CORPORATION SHAREHOLDERS COUNCIL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Arab Investment and Export Credit Guarantee Corporation (the "Corporation"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE CHAIRMAN AND MEMBERS OF THE ARAB INVESTMENT & EXPORT CREDIT GUARANTEE CORPORATION SHAREHOLDERS COUNCIL (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

ABDULKARIM ALSAMDAN
LICENCE NO. 208 A
EY
(AL-AIBAN, AL- OSAIMI & PARTNERS)

7 March 2024
Kuwait

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	*2023* KD	*2022* KD
REVENUES			
Insurance revenue	3	**4,648,259**	3,516,677
Insurance service expenses	3	**(2,161,059)**	(1,722,181)
Insurance service result before reinsurance contracts held		**2,487,200**	1,794,496
Net expense from reinsurance contracts held	4	**(854,894)**	(454,049)
Insurance service result		**1,632,306**	1,340,447
Interest income	5	**3,640,551**	2,979,032
Net investment income from financial assets	6	**3,647,734**	707,836
Foreign exchange loss		**(30,383)**	(65,508)
TOTAL REVENUES		**8,890,208**	4,961,807
EXPENSES			
Salaries, wages and benefits		**(2,147,295)**	(2,167,729)
Administrative expense		**(821,288)**	(790,894)
Depreciation expense		**(87,458)**	(97,911)
Provisions and others		**(37,737)**	(74,375)
TOTAL EXPENSES		**(3,093,778)**	(3,130,909)
PROFIT FOR THE YEAR		**5,796,430**	1,830,898
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,796,430**	1,830,898

The attached notes 1 to 18 form part of these financial statements.

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** KD	2022 KD
ASSETS			
Cash and cash equivalents	7	**4,875,122**	9,569,083
Deposits and wakala with financial institutions	8	**31,372,338**	22,348,461
Financial assets at fair value through profit or loss	9	**98,379,638**	103,948,190
Financial instruments at amortised cost	10	**34,043,955**	26,484,320
Insurance contract assets	3	**1,463,297**	279,374
Accounts receivable and other assets		**2,140,228**	1,548,598
Property and equipment	11	**728,000**	800,988
TOTAL ASSETS		**173,002,578**	164,979,014
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other liabilities		**564,063**	335,144
Insurance contracts liabilities	3	**5,294,812**	4,501,701
Reinsurance contracts liabilities	4	**1,606,584**	-
Obligations under finance lease	11	**1,261,553**	1,346,888
Employees' savings and end of service benefits		**2,442,787**	2,773,432
Total liabilities		**11,169,799**	8,957,165
Equity			
Paid-up capital	12	**91,117,166**	91,102,666
General reserve	13	**70,715,613**	64,919,183
Total equity		**161,832,779**	156,021,849
TOTAL LIABILITIES AND EQUITY		**173,002,578**	164,979,014

The attached notes 1 to 18 form part of these financial statements.

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Paid-up capital KD	*General reserve KD*	*Total KD*
Balance as at 1 January 2023	91,102,666	64,919,183	156,021,849
Increase in paid-up capital	14,500	-	14,500
Total comprehensive income for the year	-	5,796,430	5,796,430
Balance as at 31 December 2023	**91,117,166**	**70,715,613**	**161,832,779**

	Paid-up capital KD	*General reserve KD*	*Total KD*
Balance as at 1 January 2022	91,102,666	63,088,285	154,190,951
Total comprehensive income for the year	-	1,830,898	1,830,898
Balance as at 31 December 2022	91,102,666	64,919,183	156,021,849

The attached notes 1 to 18 form part of these financial statements.

The Arab Investment & Export Credit Guarantee Corporation
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit for the year		5,796,430	1,830,898
Adjustments for:			
Interest income	5	(3,640,551)	(2,979,032)
Net investment income from financial assets	6	(3,647,734)	(707,836)
Depreciation expense		87,458	97,911
Finance lease charges		94,282	99,865
Employees' savings and end of service benefits		394,085	361,962
		(916,030)	(1,296,232)
Changes in operating assets and liabilities:			
Insurance contract assets		(1,183,923)	(28,781)
Accounts receivable and other assets		(26,054)	(99,610)
Insurance contract liabilities		793,111	893,197
Reinsurance contract liabilities		1,606,584	(31,751)
Accounts payable and other liabilities		(235,990)	(143,238)
		37,698	(706,415)
Employees' savings and end of service benefits paid		(724,730)	(106,374)
Net cash flows used in operating activities		(687,032)	(812,789)
INVESTING ACTIVITIES			
Net movement in deposits and wakala with financial institutions		(9,023,877)	30,891,290
Purchase of financial assets at fair value through profit or loss		(6,414,363)	(36,727,320)
Proceeds from sale of financial assets at fair value through profit or loss		11,815,753	5,628,751
Purchase of financial instruments at amortised cost		(8,649,114)	(2,130,227)
Purchase of property and equipment		(14,470)	(5,336)
Proceeds from sale of financial instruments at amortised cost		1,212,666	-
Proceeds from sale of property and equipment		-	10,248
Dividend income received		4,293,089	2,983,899
Interest income received		2,938,504	3,390,649
Net cash flows (used in) from investing activities		(3,841,812)	4,041,954
FINANCING ACTIVITIES			
Payment of finance lease obligations		(179,617)	(179,617)
Increase in paid-up capital		14,500	-
Net cash flows used in financing activities		(165,117)	(179,617)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(4,693,961)	3,049,548
Cash and cash equivalents as at 1 January		9,569,083	6,519,535
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	7	4,875,122	9,569,083

The attached notes 1 to 18 form part of these financial statements..

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

1 COPORATE INFORMATION AND ACTIVITIES

The Corporation is an Arab Corporation with a special independent legal status that was incorporated in accordance with a convention between Arab member states. The main objectives of the Corporation are to provide guarantee for Inter-Arab investments against non-commercial risks and trade financing among member countries for both commercial and non-commercial risks as defined in its convention. The Corporation also promotes investments and trade among its member states.

The Corporation is located in Kuwait and its registered address is at P.O. Box 23568, Safat, 13096 – State of Kuwait.

The financial statements were authorised for issue by the Corporation's Board of Directors on 5 March 2024.

2.1 BASIS OF PREPARATION

Statement of compliance
The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation
The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value.

The financial statements are presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Corporation.

The financial statements provide comparative information in respect of the previous year. Certain comparative information has been reclassified and represented to conform to classification in the current year. Such reclassification has been made to improve the quality of information presented.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Corporation applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023.

Definition of Accounting Estimates – Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Corporation's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Corporation's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Corporation's financial statements.

The Arab Investment & Export Credit Guarantee Corporation
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NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual years on or after 1 January 2023. IFRS 17 did not have any material impact on the measurement or recognition of any items in the Corporation's financial statements, however, it had an impact on the presentation of the Corporation's financial statements. Accordingly, the Corporation has reclassified the comparative information for year 2022 applying the transitional provisions in Appendix C to IFRS 17 adopting the modified retrospective approach. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement:

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Corporation.

The key principles of IFRS 17 are that the Corporation:

- Identifies insurance contracts as those under which the Corporation accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards.
- Divides the insurance and reinsurance contracts into groups it will recognise and measure.
- Recognises and measures groups of insurance contracts at:
- A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information, plus;
- An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM).
- Recognises profit from a group of insurance contracts over each period the Corporation provides insurance contract services, as the Corporation is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Corporation recognises the loss immediately.
- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

Under IFRS 17, the Corporation's reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17. The measurement principles of the PAA differ from the 'earned premium approach' used by the Corporation under IFRS 4 in the following key areas:

- The Liability for Remaining Coverage (LRC) reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the LRC includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related year of services are more than 12 months apart.
- Measurement of the LRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for Incurred Claims (LIC) (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Corporation's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Corporation has determined that the majority of its insurance contracts qualify for the simplified approach. As a result, the Corporation has established its policy choice to account for its insurance contracts under the Premium Allocation Approach, where eligible.

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NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued):

The application of the PAA model is optional. This means that if the eligibility criteria are fulfilled for a certain group of insurance contracts, an entity can choose between measuring this group of contracts under the General Model (GM) or under the PAA.

The Corporation has determined that contracts are eligible for the PAA if they have a coverage year of one year or less (Criteria 1) or the liability for remaining coverage would not differ materially from the liability for remaining coverage under the GM in any of the given reporting years (Criteria 2) or if the volatility in historical expectations was low, i.e. when expectations were stable over time (Criteria 3).

The Corporation's classification and measurement of insurance and reinsurance contracts are explained in Note 2.4.1.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Corporation aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

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

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the statement of comprehensive income have been changed significantly compared with last year as follows:

Previously reported under IFRS 4:

- Gross written premiums
- Net written premiums
- Change in premium reserves
- Gross insurance claims
- Net insurance claims

IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Income or expenses from reinsurance contracts held

Transition

On transition date, 1 January 2022, the Corporation:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However. at transition date, a recoverability assessment was performed, and no impairment loss was identified.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

Modified retrospective approach

On transition to IFRS 17, the Corporation has applied the modified retrospective approach.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt those standards, if applicable, when they become effective.

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Corporation's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Corporation is currently assessing the impact the amendments will have on current practice.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.
The amendments are not expected to have a material impact on the Corporation's financial statements.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

These amendments are not expected to have a material impacts on the Corporation's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.4.1 Insurance and reinsurance contracts

2.4.1.1 Definition and classification

Insurance contracts are contracts under which the Corporation (the issuer) accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Reinsurance contracts are insurance contracts issued by the reinsurer compensate another entity for claiming arising from one or more insurance contracts issued by the that other entity (underlying insurance contracts).

The Corporation issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Corporation determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

2.4.1.2 Separating components from insurance and reinsurance contracts

The Corporation assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Corporation applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Corporation's products do not include any distinct components that require separation.

2.4.1.3 Level of Aggregation

IFRS 17 requires the Corporation to determine the level of aggregation for applying its requirements.

The level of aggregation for the Corporation is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

The Corporation applied a modified retrospective approach when applicable for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into two groups, as follows:

(i) any contracts that are onerous on initial recognition;
(ii) any remaining contracts in the portfolio.

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

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4.1 Insurance and reinsurance contracts (continued)

2.4.1.4 Recognition

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

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

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

- The beginning of the coverage year of the group of reinsurance contracts held. (However, the Corporation delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage year of the group of reinsurance contracts held, and
- The date the Corporation recognises an onerous group of underlying insurance contracts if the Corporation entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

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

2.4.1.5 Contract boundary

The Corporation includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting year in which the Corporation can compel the policyholder to pay the premiums, or in which the Corporation has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

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

Or Both of the following criteria are satisfied:

- The Corporation has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to years after the reassessment date

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

2.4.1.6 Insurance contracts- Initial and subsequent measurement

2.4.1.6.1 Initial measurement

The Corporation applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

The coverage year of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary. Or

For contracts longer than one year, the Corporation has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Corporation has also considered qualitative factors such as the nature of the risk and types of its lines of business.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4.1 Insurance and reinsurance contracts (continued)

2.4.1.6 Insurance contracts- Initial and subsequent measurement (continued)

2.4.1.6.1 Initial measurement (continued)

For a group of contracts that is not onerous at initial recognition, the Corporation measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Corporation pays or receives before the group of insurance contracts is recognised.

2.4.1.6.2 Subsequent measurement

The Corporation measures the carrying amount of the liability for remaining coverage at the end of each reporting year as the liability for remaining coverage at the beginning of the year:

- Plus premiums received in the year
- Minus insurance acquisition cash flows
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting year for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the year
- Minus any investment component paid or transferred to the liability for incurred claims

The Corporation estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Corporation and include an explicit adjustment for non-financial risk (the risk adjustment). The Corporation does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage year, facts and circumstances indicate that a group of insurance contracts is onerous, the Corporation recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Corporation for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

2.4.1.7 Reinsurance contracts- Initial and subsequent measurement

2.4.1.7.1 Initial measurement

The Corporation measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Corporation recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Corporation establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Corporation calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Corporation expects to recover from the group of reinsurance contracts held. The Corporation uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4.1 Insurance and reinsurance contracts (continued)

2.4.1.7 Reinsurance contracts- Initial and subsequent measurement (continued)

2.4.1.7.2 Subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Corporation has established a loss-recovery component, the Corporation subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

2.4.1.8 Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. All acquisition costs are to be deferred. The Corporation uses a systematic and rational method to allocate:

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not **directly attributable to a group of contracts, to groups in the portfolio.**

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Corporation recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

2.4.1.9 Discount rates

The Corporation adopts a bottom-up approach in deriving appropriate discount rates. The starting point for these discount rates will be appropriate reference liquid risk-free curves – taking consideration for the currency characteristics of the contracts and their respective cashflows.

2.4.1.10 Risk adjustment

IFRS 17 requires to measure insurance contracts at initial recognition as the sum of the following items

- Future Cash Flow (FCF) and comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate discounting structure
- Risk Adjustment (RA) for non-financial risk
- Contractual Service Margin (CSM)

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.

Derivation of the risk adjustment

The Corporation has determined that the derivation of the risk adjustment shall be performed at the operating level using an appropriate methodology that is in line with IFRS 17 guidelines.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4.1 Insurance and reinsurance contracts (continued)

2.4.1.10 Risk adjustment (continued)

The Risk Adjustment for the Liability for Incurred Claims (LIC) has been estimated based on the stochastic approach performed on Corporation's triangles with consideration to market benchmarks.

The Corporation will a set confidence level in the range of the 75th to 85th percentile, on a diversified basis. The Corporation applies judgment to determine the appropriate Risk Adjustment based on the non-financial risks associated with their portfolios of insurance and reinsurance contracts to determine the desired Risk Adjustment.

2.4.1.11 Insurance revenue

The insurance revenue for the year is the amount of expected premium receipts (excluding any investment component) allocated to the year. The Corporation allocates the expected premium receipts to each year of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage year differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. The Corporation changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the years presented, all revenue has been recognised on the basis of the passage of time.

2.4.1.12 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 Corporation allocate insurance finance income or expenses on insurance contracts issued to statement of comprehensive income. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in P&L in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities.

2.4.1.13 Net income or expense from reinsurance contracts held

The Corporation presents separately on the face of the statement of comprehensive income, the amounts expected to be recovered from reinsurers, net of allocation of the reinsurance premiums paid. The Corporation treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of comprehensive income.

2.4.2 Finance leases

Assets acquired under finance lease agreements are capitalised in the statement of financial position and are depreciated over their useful economic lives. A corresponding liability is recorded in the statement of financial position for rental obligations under the finance lease. The finance charge is allocated over the period of the lease so as to produce a constant rate of interest on the remaining obligation.

2.4.3 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	40	years
Motor vehicles	5	years
Furniture and equipment	5	years

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

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4.3 Property and equipment (continued)

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

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

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

2.4.4 Impairment of non-financial assets

The Corporation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Corporation's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Corporation estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.4.5 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4.5 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
- derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Corporation's financial assets at amortised cost includes cash and cash equivalents, deposits and wakala with financial institutions, financial instruments at amortised costs, recoverable claims, accounts receivable and other assets and cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4.5 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets

The Corporation recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Corporation considers a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Corporation of similar financial assets) is primarily derecognised (i.e., removed from the Corporation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Corporation continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Corporation's financial liabilities include accounts payable and accruals, amounts due to insurance and reinsurance companies and obligations under finance lease.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4.5 Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement

Accounts payable and other liabilities

Accounts payable and other liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Amounts due to insurance and reinsurance companies

Amounts due to insurance and reinsurance companies are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.6 Current versus non-current classification

The Corporation presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Corporation classifies all other liabilities as non-current.

2.4.7 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Corporation.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4.7 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits and wakala with financial institutions with an original maturity of three months or less.

2.4.9 Interest income

Interest income is recognised as the interest accrues using effective interest method.

2.4.10 Dividend income

Dividend income is recognised when the Corporation's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.4.11 Realised gains and losses

Realised gains and losses include gain and loss on financial assets and are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transactions.

2.4.12 Employees' savings

As for the employee benefit savings plan, the employees' savings represent the share deducted from their salaries in addition to the benefits recorded by the Corporation on the net employees' rights (savings balance and end of service indemnity) in accordance with the executive resolution no. 10 of 2005 approved by the General Manager of the Corporation.

2.4.13 Employees' end of service benefits

The end of service indemnity for the General Manager is calculated in accordance with article No. 6 of the resolution made by the Arab Ministers of Finance and Economy in Abu Dhabi. The end of service indemnity for other employees is based on employees' salaries and accumulated periods of service or on the basis of the employment contracts, where such contracts provide extra benefits.

2.4.14 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4.15 Contingent assets and liabilities

Contingent liabilities are not recognised in the statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the statement of financial position, but are disclosed when an inflow of economic benefits is probable.

2.4.16 Foreign currencies

The Corporation's financial statements are presented in Kuwaiti Dinars, which is also the Corporation's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Corporation at their respective functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Corporation's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Corporation's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Determination of functional currency

Identifying the functional currency has a direct impact on which transactions are foreign exchange transactions that give rise to exchange gains and losses and, thereby, on the reported results.

The Corporation's functional currency is the currency of the primary economic environment in which it operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management determined that the functional currency of the Corporation is Kuwaiti Dinars (KD) since the majority of the Corporation's transactions are denominated in KD.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur.

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2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts

i. PAA Eligibility Assessment

The Corporation has calculated a Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for those groups of insurance contracts written and reinsurance contracts held respectively. This testing has been performed on following insurance and corresponding reinsurance contracts:

- Contracts works (CAR)
- Property all risks (PAR)
- Marine open cover
- Credit/Group life

After calculating the liabilities/assets applying PAA approach respectively, Corporation then checks for any material differences for the contracts . In case the Corporation notes any material differences, it follows the GMM approach, and where there is no material difference, the Corporation has opted for PAA approach. The calculation was performed under simplified approaches i.e., Premium Allocation Approach (PAA).

Situations, which may cause the LRC and / or ARC under the PAA to differ from the LRC and / or ARC under the GMM:

- When the expectation of the profitability for the remaining coverage changes at a particular valuation date during the coverage period of a group of contracts;
- If yield curves change significantly from those in place at the group's initial recognition;
- When the incidence of claims occurrence differs from the coverage units; and
- The effect of discounting under the GMM creates an inherent difference, this difference compounds over longer contract durations.

Upon analysis of the possible differences between LRC and / or ARC applying the PAA and GMM approach, respectively, the Corporation noted immaterial differences for contracts with coverage period of more than one year. Hence, the Corporation recognizes all the contracts using the PAA approach maintaining a consistent accounting treatment to the rest of the portfolio of insurance contracts issued and reinsurance contracts held that have a coverage period of up to one year. The Corporation assesses materiality at each respective group of contracts level (GoCs) and at an aggregate insurance contract liabilities / re-insurance contract assets level using pre-determined quantitative threshold for differences at the GoCs.

ii. Liability for remaining coverage

Acquisition cash flows

For insurance acquisition cash flows, the Corporation is eligible and chooses to recognize the payments as an expense immediately (coverage period of a year or less).

The effect of recognizing insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period.

Significant financing component

The Corporation has assessed its Liability for Remaining Coverage (LRC) and Assets for remaining coverage (ARC) and concluded that no significant financing component exists within LRC and ARC respectively. Therefore, the Corporation has not adjusted the carrying amount of the LRC and ARC to reflect the time value of money and the effect of financial risk using the discount rates.

Expected premium receipts adjustment

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

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2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)
Insurance and reinsurance contracts (continued)

iii. Liability for incurred claims
The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Corporation's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

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

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

- Pricing information: Underwriting combined ratios and price adequacy ratios.
- Historical combined ratio of similar and comparable sets of contracts.
- Any relevant inputs from underwriters;
- Other external factors such as inflation and change in market claims experience or change in regulations; and
- For subsequent measurement, the Corporation also relies on the same group of contracts' weighted actual emerging experience.

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

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

On the other hand, non-directly attributable expenses and overheads are recognized in the statement of income immediately when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

vi. Estimates of future cash flows

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

vii. Discount rates

The Corporation adopt a bottom-up approach in deriving appropriate discount rates. The starting point for these discount rates will be appropriate reference liquid risk-free curves– taking consideration for the currency characteristics of the contracts and their respective cashflows. The risk-free reference curve will be the US Treasury Curve, and the relevant country specific credit risk premium will be loaded as required.

The bottom-up approach was used to derive the discount rate for the cash flows that do not vary based on the returns on underlying items in the Participating contracts. Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The risk-free yield was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with AAA credit rating were used. Management uses judgement to assess liquidity characteristics of the liability cash flows. Direct participating contracts and investment contracts with DPF are considered less liquid than the financial assets used to derive the risk-free yield. For these contracts, the illiquidity premium was estimated based on market observable liquidity premium in financial assets adjusted to reflect the illiquidity characteristics of the liability cash flows.

viii. Risk adjustments

IFRS 17 requires to measure insurance contracts at initial recognition as the sum of the following items

- Future Cash Flow (FCF) and comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate discounting structure
- Risk Adjustment (RA) for non-financial risk
- Contractual Service Margin (CSM)

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.

Derivation of the risk adjustment

The Corporation has determined that the derivation of the risk adjustment shall be performed at the operating Corporation level using an appropriate methodology that is in line with IFRS 17 guidelines.

The Risk Adjustment for the Liability for Incurred Claims (LIC) has been estimated based the quantile approach performed on Corporation's triangles with consideration to market benchmarks.

The Corporation will a set confidence level in the range of the 75th to 85th percentile, on a diversified basis. The Corporation applies judgment to determine the appropriate Risk Adjustment based on the non-financial risks associated with their portfolios of insurance contracts to determine the desired Risk Adjustment.

Useful lives of property and equipment

The management of the Corporation determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted when the management believes the useful lives differ from previous estimates.

Impairment of property and equipment

A decline in the value of property and equipment could have a significant impact on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of property and equipment (continued)

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value that would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from the internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of financial assets at amortised cost

The impairment provision for financial assets is based on assumptions about risk of default and expected loss rates. The Corporation uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Corporation's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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3 INSURANCE CONTRACT ASSETS/LIABILITIES

31 December 2023	*Liability for Remaining Coverage*	*Liability for Incurred Claims*	*Total*
	KD	*KD*	*KD*
Insurance contracts liabilities as at 1 January 2023	2,446,928	2,054,773	4,501,701
Insurance contracts assets as at 1 January 2023	(279,374)	-	(279,374)
Insurance contracts liabilities as at 1 January 2023	**2,167,554**	**2,054,773**	**4,222,327**
Insurance revenue	(4,648,259)	-	(4,648,259)
Incurred claims and other directly attributable expenses	1,911,907	-	1,911,907
Changes to liabilities for incurred claims	-	80,373	80,373
Insurance acquisition costs incurred	168,779	-	168,779
Insurance service expenses	**2,080,686**	**80,373**	**2,161,059**
Insurance service result	**(2,567,573)**	**80,373**	**(2,487,200)**
Total amounts recognised in profit or loss	**(2,567,573)**	**80,373**	**(2,487,200)**
Cash flows:			
Premiums received	4,648,259	-	4,648,259
Claims and other directly attributable expenses paid	(1,911,907)	(563,360)	(2,475,267)
Insurance acquisition cash flows	(76,604)	-	(76,604)
Total cash flows	**2,659,748**	**(563,360)**	**2,096,388**
Insurance contracts liabilities as at 31 December 2023	**2,259,729**	**1,571,786**	**3,831,515**
Closing insurance contract liabilities as at 31 December 2023	**3,723,026**	**1,571,786**	**5,294,812**
Closing insurance contract assets as at 31 December 2023	**(1,463,297)**	-	**(1,463,297)**
Net insurance contracts liabilities as at 31 December 2023	**2,259,729**	**1,571,786**	**3,831,515**

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As at and for the year ended 31 December 2023

3 INSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

31 December 2022	*Liability for Remaining Coverage*	*Liability for Incurred Claims*	*Total*
	KD	*KD*	*KD*
Insurance contracts liabilities as at 1 January 2022	1,553,731	2,054,773	3,608,504
Insurance contracts assets as at 1 January 2022	(250,593)	-	(250,593)
Insurance contracts liabilities as at 1 January 2022	1,303,138	2,054,773	3,357,911
Insurance revenue	(3,516,677)	-	(3,516,677)
Incurred claims and other directly attributable expenses	1,722,181	-	1,722,181
Changes to liabilities for incurred claims	-	-	-
Insurance acquisition costs incurred	-	-	-
Insurance service expenses	1,722,181	-	1,722,181
Insurance service result	(1,794,496)	-	(1,794,496)
Total amounts recognised in profit or loss	(1,794,496)	-	(1,794,496)
Cash flows:			
Premiums received	1,916,138	-	1,916,138
Cancellation off financial payables due to insurance and reinsurance companies	835,389	-	835,389
Insurance acquisition cash flows	(92,615)	-	(92,615)
Total cash flows	2,658,912	-	2,658,912
Insurance contracts liabilities as at 31 December 2022	2,167,554	2,054,773	4,222,327
Closing insurance contract liabilities as at 31 December 2022	2,446,928	2,054,773	4,501,701
Closing insurance contract assets as at 31 December 2022	(279,374)	-	(279,374)
Net insurance contracts liabilities as at 31 December 2022	2,167,554	2,054,773	4,222,327

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4 REINSURACE CONTRACT ASSETS/ LIABILITIES

31 December 2023	*Reinsurance remaining coverage*	*Reinsurance incurred claims*	*Total*
	KD	*KD*	*KD*
Reinsurance contracts liabilities as at 1 January 2023	-	-	-
Reinsurance contracts assets as at 1 January 2023	-	-	-
Reinsurance contracts assets as at 1 January 2023	-	-	-
Amounts recoverable from reinsurers			
Reinsurance expenses	(854,894)	-	(854,894)
Net expenses from reinsurance contracts held	**(854,894)**	**-**	**(854,894)**
Total amounts recognised in profit or loss	**(854,894)**	**-**	**(854,894)**
Cash flows:			
Premiums paid net of ceding commissions and other directly attributable expenses paid	2,461,478	-	2,461,478
Total cash flows	**2,461,478**	-	**2,461,478**
Reinsurance contracts liabilities as at 31 December 2023	**1,606,584**	-	**1,606,584**
Closing reinsurance contract liabilities as at 31 December 2023	**1,606,584**	-	**1,606,584**
Closing reinsurance contract assets as at 31 December 2023	-	-	-
Reinsurance contracts liabilities as at 31 December 2023	**1,606,584**	-	**1,606,584**

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4 REINSURACE CONTRACT ASSETS/ LIABILITIES (CONTINUED)

31 December 2022	*Reinsurance remaining coverage*	*Reinsurance incurred claims*	*Total*
	KD	*KD*	*KD*
Reinsurance contracts liabilities as at 1 January 2022	-	-	-
Reinsurance contracts assets as at 1 January 2022	-	-	-
Reinsurance contracts liabilities as at 1 January 2022	-	-	-
Amounts recoverable from reinsurers			
Reinsurance expenses	(454,049)	-	(454,049)
Net expenses from reinsurance contracts held	(454,049)	-	(454,049)
Total amounts recognised in profit or loss	(454,049)	-	(454,049)
Cash flows:			
Premiums paid net of ceding commissions and other directly attributable expenses paid	454,049	-	454,049
Total cash flows	454,049	-	454,049
Reinsurance contracts assets as at 31 December 2022	-	-	-
Closing reinsurance contract liabilities as at 31 December 2022	-	-	-
Closing reinsurance contract assets as at 31 December 2022	-	-	-
Reinsurance contracts liabilities as at 31 December 2022	-	-	-

5 INTEREST INCOME

	2023	*2022*
	KD	*KD*
Interest income from deposits and wakala with financial institutions	**1,604,697**	853,627
Interest income from financial instruments (bonds) carried at fair value through profit or loss	**679,125**	1,052,679
Interest income from financial instruments (bonds) carried at amortised cost	**1,356,729**	1,072,726
	3,640,551	2,979,032

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6 NET INVESTMENT INCOME FROM FINANCIAL ASSETS

	2023 KD	2022 KD
Financial assets at fair value through profit or loss:		
Realised gain (loss) on sale of financial assets at fair value through profit or loss	**121,317**	(74,816)
Unrealised loss on financial assets at fair value through profit or loss	**(288,479)**	(2,379,334)
Dividend income	**4,156,618**	3,329,564
Management fees	**(464,909)**	(156,207)
	3,524,547	719,207
Financial instruments at amortised cost:		
Reversal of (allowance for) expected credit losses	**70,574**	(20,405)
Provision of amortisation bonds	**36,777**	9,034
Realised gain on sale of financial assets at amortized cost	**15,836**	-
	123,187	(11,371)
	3,647,734	707,836

7 CASH AND CASH EQUIVALENTS

	2023 KD	2022 KD
Cash on hand and bank balances	**4,260,622**	2,392,374
Deposits and wakala with financial institutions *	**614,500**	7,176,709
	4,875,122	9,569,083

*These represent deposits and wakala with financial institutions with maturity of less than 3 months held with local and foreign banks. The average effective interest rate on these deposits ranges between 2.80% to 5.69% as at 31 December 2023 (2022: 0.28% to 4.19%)

8 DEPOSITS AND WAKALA WITH FINANAICAL INSTITUTIONS

	2023 KD	2022 KD
Deposits and wakala with financial institutions	**31,372,338**	22,348,461

These represent deposits and wakala with financial institutions with maturity of more than 3 months held with local and foreign banks. The average effective interest rate on these deposits ranges between 3.65% to 5.80% as at 31 December 2023 (2022: 3.77% to 5.30%).

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9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	*2022*
	KD	*KD*
Managed funds	**86,140,400**	85,966,904
Debt instruments (bonds)	**10,782,752**	16,533,144
Investment in Arab Trade Finance Program	**861,264**	861,264
Investment in Tunisian External Trade Insurance Company	**595,222**	586,878
	98,379,638	103,948,190

Fair value hierarchy for determining the fair value of the financial instruments and the valuation techniques are detailed in Note 16.

The average effective interest rates of bonds are ranging between 4.75% to 7.36% as at 31 December 2023 (2022: 4.75% to 7.36%).

Investments in Arab Trade Finance Program represent 0.25%, of the capital of the Arab Trade Finance Program (2022: 0.25%), which was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade.

The Corporation holds 23.18% of the ordinary share capital of Tunisian External Trade Insurance Company. The directors of the Corporation do not consider that the Corporation is able to exercise significant influence over the Tunisian Company as the main shareholder is the Tunisian government, which is responsible for the management.

10 FINANCIAL INSTRUMENTS AT AMORTISED COST

	2023	*2022*
	KD	*KD*
Debt instruments (bonds)	**34,020,604**	26,568,320
Expected credit losses	**(10,324)**	(80,898)
Unamortised premium (discount)	**33,675**	(3,102)
	34,043,955	26,484,320

The average effective interest rates of bonds are ranging between 2.88% to 9.75% as at 31 December 2023 (2022: 2.88% to 9.75%).

11 PROPERTY AND EQUIPMENT

Property and equipment are substantially represented in the carrying amount of the Corporation's premises, which were acquired under a finance lease based on the space allocated to and occupied by the Corporation in the Joint Building of the Arab Organisations. The premises are being depreciated over the 40-year lease term and the related depreciation charge for the year amounted to KD 67,648 (2022: KD 67,648).

The obligations under finance lease are mature as follows:

	2023	*2022*
	KD	*KD*
Within one year	**179,617**	179,617
From one to five years	**898,085**	898,085
Over five years	**718,468**	898,085
Due to Arab Fund for Economic and Social Development	**1,796,170**	1,975,787
Less: Finance charge allocated to future periods	**(534,617)**	(628,899)
	1,261,553	1,346,888

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12 PAID-UP CAPITAL

At 31 December, the capital of the Corporation and the share of each member state and other authorities are as follows:

	Issued		*Paid*	
	2023 KD	*2022 KD*	***2023 KD***	*2022 KD*
A. Member State:				
The Hashemite Kingdom of Jordan	**788,000**	788,000	**788,000**	788,000
United Arab Emirates	**6,510,000**	6,510,000	**6,510,000**	6,510,000
Kingdom of Bahrain	**750,000**	750,000	**750,000**	750,000
The Republic of Tunisia	**1,875,000**	1,875,000	**1,875,000**	1,875,000
Peoples' Democratic Republic of Algeria	**1,875,000**	1,875,000	**1,875,000**	1,875,000
Republic of Djibouti	**300,000**	300,000	**200,000**	200,000
Kingdom of Saudi Arabia	**8,610,000**	8,610,000	**8,610,000**	8,610,000
Republic of Sudan	**1,826,932**	1,826,932	**1,826,931**	1,826,931
Syrian Arab Republic	**750,000**	750,000	**500,000**	500,000
Somali Democratic Republic	**87,735**	87,735	**73,235**	58,735
Republic of Iraq	**750,000**	750,000	**750,000**	750,000
Sultanate of Oman	**1,125,000**	1,125,000	**1,125,000**	1,125,000
State of Palestine	**750,000**	750,000	**750,000**	750,000
State of Qatar	**5,985,000**	5,985,000	**5,985,000**	5,985,000
State of Kuwait	**7,485,000**	7,485,000	**7,485,000**	7,485,000
Republic of Lebanon	**750,000**	750,000	**750,000**	750,000
State of Libya	**6,735,000**	6,735,000	**6,735,000**	6,735,000
Arab Republic of Egypt	**1,875,000**	1,875,000	**1,875,000**	1,875,000
Kingdom of Morocco	**3,000,000**	3,000,000	**3,000,000**	3,000,000
The Islamic Republic of Mauritania	**750,000**	750,000	**750,000**	750,000
The Republic of Yemen	**1,500,000**	1,500,000	**1,000,000**	1,000,000
	54,077,667	54,077,667	**53,213,166**	53,198,666
B. Arab Financial Authorities:				
Arab Fund for Economic and Social	**22,804,800**	22,804,800	**19,003,800**	19,003,800
Development	**12,177,000**	12,177,000	**10,148,000**	10,148,000
Arab Monetary Fund	**7,659,960**	7,659,960	**7,659,960**	7,659,960
BADEA	**1,638,240**	1,638,240	**1,092,240**	1,092,240
Arab Authority for Agricultural Investment				
and Development	**44,280,000**	44,280,000	**37,904,000**	37,904,000
	98,357,667	98,357,667	**91,117,166**	91,102,666

At the Members' Council annual meeting held on 2-3 April 2013, it was approved to increase the issued capital by 50% to be allocated proportionally to each member's percentage of ownership in the issued capital as of 31 December 2012. Such increase shall be settled in five equal annual instalments starting from the date of the meeting. In addition, the council of the shareholders has been notified of the desire of five member states to make an optional increase of their shares by KD 14,925,000 in the Corporation's capital in order to maintain a permanent seat for them in the Board of Directors.

13 GENERAL RESERVE

Article 24 of the Corporation's convention states that "Net income realized from the Corporation's operations is to be accumulated to establish a reserve equal to three times the capital", after which time, the council shall decide the manner of utilisation or distribution of the realized annual profits, provided that no more than 10% of such profits shall be distributed and that the distribution shall be made in proportion to the share of each member in the capital of the Corporation.

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14 CONTINGENCIES AND CAPITAL COMMITMENTS

Contingencies

As at 31 December 2023, the total outstanding commitment for the executed guarantee contracts amounted to KD 333,451,880 (2022: KD 162,065,527).

In the opinion of management and in accordance with the Corporation's business practices, all litigations and claims are the ultimate responsibility of the importer in the case of commercial risks and the ultimate responsibility of the respective member state in the case of non-commercial risks. Accordingly, no provision has been made in the accompanying financial statements in respect of the matters discussed above.

Capital commitments

The Corporation does not have any capital commitments as at 31 December 2023 and 31 December 2022.

15 RELATED PARTY TRANSACTIONS

Related parties represent members states. No amounts were received during the financial year ended 31 December 2023 against management fees of fiduciary assets in favour of members states (2022: Nil). Non-commercial risks related to guarantees granted by the Corporation are guaranteed by members states.

16 FAIR VALUE MEASUREMENT

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

		Fair value measurement using			
31 December 2023	*Date of valuation*	***Total***	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
		KD	*KD*	*KD*	*KD*
Financial assets at fair value through profit or loss:					
Managed funds	31 December 2023	**86,140,400**	-	**2,449,586**	**83,690,814**
Debt instruments (bonds)	31 December 2023	**10,782,752**	-	**3,058,551**	**7,724,201**
Investment in Arab Trade Finance Program	31 December 2023	**861,264**	-	-	**861,264**
Investments in Tunisian External Trade Insurance Company	31 December 2023	**595,222**	-	-	**595,222**
		98,379,638	-	**5,508,137**	**92,871,501**

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16 FAIR VALUE MEASUREMENT (continued)

			Fair value measurement using		
31 December 2022	*Date of valuation*	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
		KD	*KD*	*KD*	*KD*
Financial assets at fair value through profit or loss:					
Managed funds	31 December 2022	85,966,904	-	3,621,885	82,345,019
Debt instruments (bonds)	31 December 2022	16,533,144	-	10,534,174	5,998,970
Investment in Arab Trade Finance Program	31 December 2022	861,264	-	-	861,264
Investments in Tunisian External Trade Insurance Company	31 December 2022	586,878	-	-	586,878
		103,948,190	-	14,156,059	89,792,131

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Note 2.4.

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of level 3 fair value measurement.

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16 FAIR VALUE MEASUREMENT (continued)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of the opening and closing amount of level 3 assets which are recorded at fair value:

	As at 1 January 2023	***Additions***	***Disposals***	***Change in fair value***	***Exchange rate movements***	***As at 31 December 2023***
	KD	***KD***	***KD***	***KD***	***KD***	***KD***
Financial assets at fair value through profit or loss:						
Managed funds	**82,345,019**	**4,707,203**	**(3,762,795)**	**97,527**	**303,860**	**83,690,814**
Debt instruments (bonds)	**5,998,970**	**1,707,161**	**-**	**-**	**18,070**	**7,724,201**
Investment in Arab Trade Finance Program	**861,264**	**-**	**-**	**-**	**-**	**861,264**
Investments in Tunisian External Trade Insurance Company	**586,878**	**-**	**-**	**-**	**8,344**	**595,222**
	89,792,131	**6,414,364**	**(3,762,795)**	**97,527**	**330,274**	**92,871,501**

	As at 1 January 2022	*Additions*	*Disposals*	*Change in fair value*	*Exchange rate movements*	*As at 31 December 2022*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
Financial assets at fair value through profit or loss:						
Managed funds	52,112,191	36,539,175	(3,791,276)	(3,174,107)	659,036	82,345,019
Debt instruments (bonds)	5,998,970	-	-	-	-	5,998,970
Investment in Arab Trade Finance Program	861,264	-	-	-	-	861,264
Investments in Tunisian External Trade Insurance Company	627,523	-	-	-	(40,645)	586,878
	59,599,948	36,539,175	(3,791,276)	(3,174,107)	618,391	89,792,131

Description of significant unobservable inputs to valuation of financial assets:

Unquoted securities represent delisted securities on stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Corporation is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted managed funds are valued based on net assets value method using latest available financial statements of the funds, wherein the underlying assets are fair valued.

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Corporation's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Corporation's continuing profitability and each individual within the Corporation is accountable for the risk exposures relating to his or her responsibilities.

The management of the Corporation is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The Corporation is exposed to credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Corporation's senior management is supported by the Board of Directors, that advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Board of Directors provides assurance to the Corporation's senior management that the Corporation's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Corporation's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

17.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum credit risk is limited to the carrying values of financial assets appearing on the statement of financial position.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2023 KD	*2022 KD*
Bank balances	**3,535,897**	2,195,710
Deposits and wakala with financial institutions	**31,986,838**	29,525,170
Financial assets at fair value through profit or loss (bonds)	**10,782,752**	16,533,144
Financial instruments at amortised cost	**34,043,955**	26,484,320
Accounts receivable and other assets	**2,140,228**	1,548,598
Insurance contract assets	**1,463,297**	279,374
	83,952,967	76,566,316

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Expected credit losses on bank balances, deposits and wakala with financial institutions, financial assets at fair value through profit or loss (bonds) and financial instruments at amortised cost has been measured on 12 months and lifetime expected loss basis and reflects the short maturities of the exposures. The Corporation considers that these financial assets have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

17.2 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Corporation limits its liquidity risk by ensuring that sufficient funds are made available in banks to meet future commitments.

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

17.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Corporation's financial liabilities at 31 December, based on contractual undiscounted payment obligations:

31 December 2023	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*1 to 3 years KD*	*Over 3 years KD*	*Total KD*
Accounts payable and other liabilities	9,926	146,346	106,664	281,373	19,754	564,063
Insurance contracts liabilities	153,476	197,462	229,451	688,353	4,026,070	5,294,812
Reinsurance contracts liabilities	1,606,584	-	-	-	-	1,606,584
Obligations under finance lease	-	-	91,308	314,095	856,150	1,261,553
	1,769,986	**343,808**	**427,423**	**1,283,821**	**4,901,974**	**8,727,012**

31 December 2022	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*1 to 3 years KD*	*Over 3 years KD*	*Total KD*
Accounts payable and other liabilities	6,000	-	15,817	293,573	19,754	335,144
Insurance contracts liabilities	279,125	191,713	229,451	688,353	3,113,059	4,501,701
Obligations under finance lease	-	-	85,335	293,547	968,006	1,346,888
	285,125	191,713	330,603	1,275,473	4,100,819	6,183,733

17.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

17.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The Corporation is exposed to interest rate risk on its floating interest-bearing assets (deposits and wakala with financial institutions, debt instruments "bonds" and financial instruments at amortised costs). The interest rates are disclosed in Notes 7,8 and 10.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

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17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

17.3 Market risk (continued)

17.3.1 Interest rate risk (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, the Corporation's profit (loss) is affected through the impact on floating rate assets, as follows:

	Increase / decrease in basis points	*Effect on profit (loss) KD*
2023	**+/- 100**	**761,990**
2022	+/- 100	653,659

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on KD 76,199,045 (2022: KD 65,365,927) interest bearing assets. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

17.3.2 Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation seeks to limit exposure to currency risk by monitoring the amounts of financial assets and financial liabilities held in various currencies and by ensuring that these amounts commensurate with the level of operations in the respective currencies. The Corporation adjusts pricing of its products according to market movement in currencies. The table below indicates the sensitivity to foreign currency rate movements at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the Kuwaiti Dinar against foreign currencies, with all other variables held constant (due to the fair value of currency sensitive monetary assets and liabilities):

		Net effect on profit (loss) (+/-)	
Currency	**Change in currency rate (+/-)**	***2023 KD***	*2022 KD*
US Dollars	**5%**	**5,622,466**	5,241,659
GBP	**5%**	**19,312**	42,127
Euro	**5%**	**143,871**	171,594

18 FIDUCIARY ASSETS

Assets managed for third parties or held in trust or in a fiduciary capacity are not treated as assets of the Corporation and accordingly are not included in these financial statements.

Total fiduciary assets managed by the Corporation is KD Nil (2022: KD 578,768).