Kuwait Financial Centre K.P.S.C. "Markaz"

مجموعة الخليج للتأمين

GULF INSURANCE GROUP

Gulf Insurance Group K.S.C.P.

Final Opinion of Value Report

February 20, 2024

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Asset Management | Investment Banking

Disclaimer

- This Opinion of Value Report (the "**Valuation Report**") has been prepared by Kuwait Financial Centre K.P.S.C ("**Markaz**"), which is acting as the exclusive Investment Advisor of Gulf Insurance Group K.S.C.P. ("**GIG**" or the "**Client**" or the "**Company**") for preparing a Valuation Report for the shareholders of GIG. This report is intended solely for the information and use of GIG and its shareholders.
- The Purpose of this Report is to determine the fair market value of GIG as of 31 December 2023 (the "**Valuation Date**").
- During the preparation of this Valuation Report, Markaz has relied upon management information, internally generated analysis, and other publicly available information. While all care has been taken to research that the facts stated are accurate in all material aspects and the opinions given are reasonable, neither Markaz nor any of its employees, agents, representatives, or consultants shall be in any way responsible for the contents of or omissions from this document.
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- Markaz has no responsibility to update this report for events occurring after the Valuation Date.
- This report is issued with the understanding that the management of GIG has drawn Markaz' attention to all matters of which they are aware concerning the financial position of the Company.
- Markaz accepts no responsibility for losses resulting from the unauthorized or improper use of this report.

Contents

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Glossary

- **CAGR** Compounded Annual Growth Rate
- **Client** Gulf Insurance Group K.S.C.P.
- **Company** Gulf Insurance Group K.S.C.P.
- **EBITDA** Earnings before Interest, Tax, Depreciation, and Amortization
- **EOS** End of Service
- **EV** Enterprise Value
- **GIG** Gulf Insurance Group K.S.C.P.
- **GWP** Gross Written Premiums
- **KD** Kuwaiti Dinar
- **LOB** Line of Business
- **Markaz** Kuwait Financial Centre K.P.S.C.
- **NPW** Net Premiums Written
- **NPE** Net Premiums Earned
- **PP&E** Property, Plant and Equipment
- **ROA** Return on Assets
- **ROE** Return on Equity
- **WACC** Weighted Average Cost of Capital
- **Y-o-Y** Year over Year

Executive Summary

Background

- **Company Overview:**
  - Gulf Insurance Group K.S.C.P. was established in 1962 as the first insurance company in the local market. GIG is a public shareholding company listed on Boursa Kuwait.
  - The Company has grown to become a leading insurance company in the region offering consumers a wide range of conventional insurance products in an array of diverse sectors.
  - GIG led technological advancements in the regional insurance market by being the first insurance company to provide consumers with online insurance policies as well as an online health claims approval system.
  - GIG is well diversified geographically having operations in 13 countries across the MENA region.
- **Recent News & Disclosures:**
  - On April 18, 2023, Kuwait Projects Company Holding (KIPCO) announced its intention to sell its 46.3% ownership in Gulf Insurance Group to Fairfax Financial Holdings Limited (Fairfax) for KD 263.7 million through off-market transactions.
  - On December 13, 2023, a sequence of off-market transactions occurred on Boursa Kuwait. In these transactions, Fairfax acquired a total of **131.8 million shares at a share price of KD 1.946 (KD 2.000 – KD 0.054)**, with a combined value of **KD 256.5 million.** This led to an increase in Fairfax's overall ownership in GIG to **89.8%.**
  - On December 27, 2023, GIG announced that KIPCO had completed the sale of their share to Fairfax through the above mentioned off-market transactions, and that **Fairfax is to submit a Mandatory Tender Offer** to acquire the shares not owned by Fairfax. Accordingly, Gulf Insurance Group K.S.C.P. assigned Markaz as their exclusive Investment Advisor to assist in assessing the fair market value of GIG.

Executive Summary
The Company

Key Products

Motor
Third Party Liability
Comprehensive

Casualty
Travel
Personal Accident
Medical Malpractice

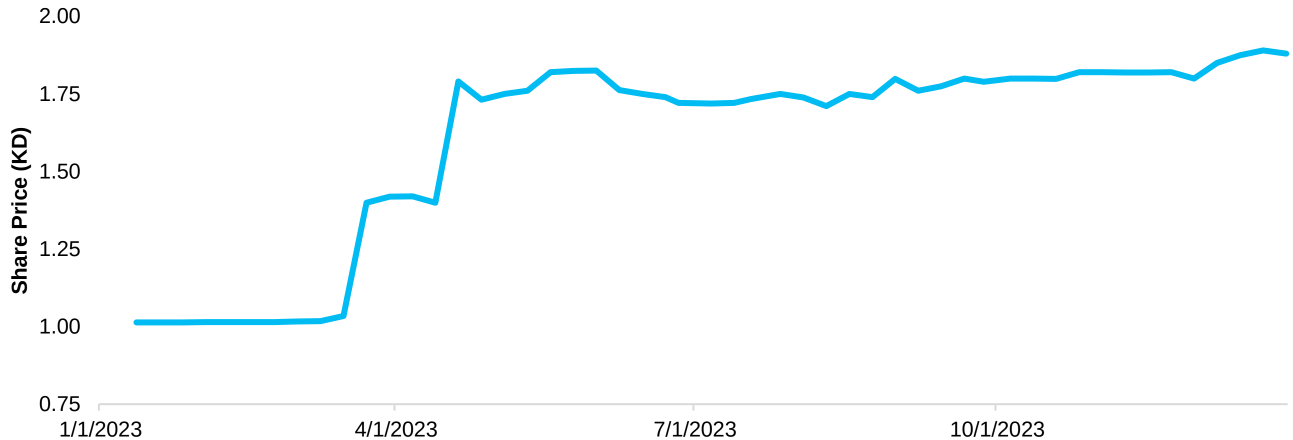
Medical
FAY *
Asfar *
Preferred Global Health

Marine
Third Party Liability
Comprehensive

Property
Home Insurance

Life
Term Life
Thokhour *
Srilankan Domestic Worker

GIG 2023 Share Price

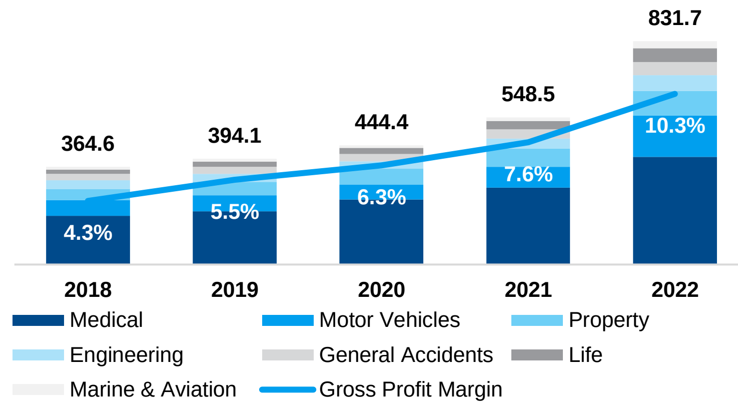


Source: Company Website, Management
Note: * FAY, Asfar, and Thokhour are names of insurance programs.
2023 share price chart is based on the Boursa Kuwait weekly close price for the stock.

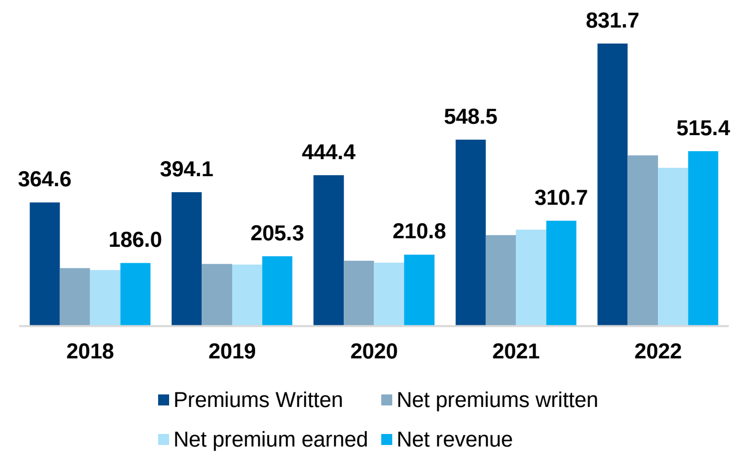
- **Direct Written Premiums:**
  - Revenues for GIG are mainly generated through the following 7 insurance segments:
    - **Medical (51.1%)**
    - **Motor Vehicles (15.3%)**
    - **Property (12.1%)**
    - **Engineering (7.3%)**
    - **General Accidents (6.3%)**
    - **Life (5.2%)**
    - **Marine & Aviation (2.7%)**

    Average weightages for the period from 2018 to 2022.
  - Total revenues witnessed a gradual growth from KD 364.6 million in 2018 to KD 548.5 million as of 2021 at a CAGR of 14.6%. This was attributed to steady growth in operations across all sectors with the Medical segment increasing by a total of KD 105.4 million during the period.
  - 2022 witnessed a greater growth reaching KD 831.7 million influenced by the full impact of the acquisition of AXA Insurance Gulf that occurred towards the end of 2021.
- **Net Revenues:**
  - Net revenues are net of reinsurance premiums ceded, movement in unearned premiums reserve, movement in life mathematical reserve, commissions received, policy issuance fees, and net investment income from designated life and medical insurance.
  - Net revenues witnessed the same growth trends as total revenues, growing from KD 186.0 million in 2018 to KD 515.4 million as of 2022. Net revenues constituted an average of 53.8% of total revenues, throughout the analyzed period.

Direct Written Premiums by Segment (KD million)



Net Revenues (KD million)

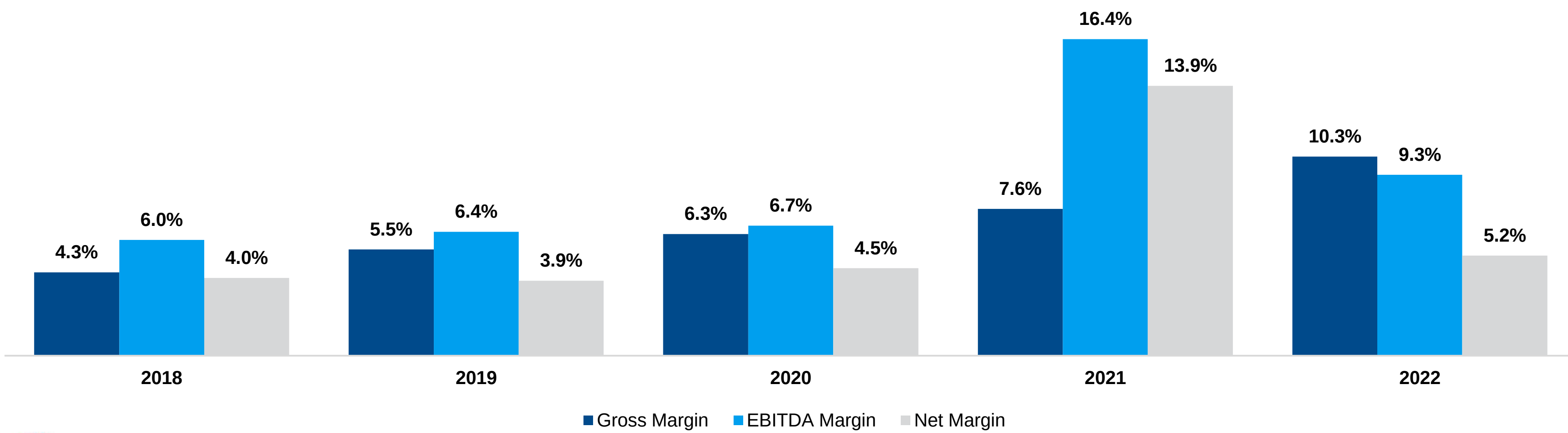


Source: Audited Financial Statements, Management, Markaz Analysis

- **Gross Margin:** Gross margin increased from 4.3% in 2018 to 10.3% in 2022, witnessing stable growth in all years mainly due to the decline of the direct G&A expenses as a percentage of revenues from 7.2% in 2018 to 5.5% in 2022.
- **EBITDA Margin:** EBITDA margin grew from 6.0% in 2018 to 6.7% in 2020, which was followed by a spike to peak at 16.4% in 2021 due to the gain on remeasurement of a former associate from step acquisition and gain on bargain purchase from acquisition of subsidiaries. The margin then stabilized at 9.3% as of 2022.
- **Net Margin:** Net margin fluctuated over the analyzed period between 3.9% and 13.9%. The net margin in 2018 was 4.0%, decreasing to 3.9% in 2019, before increasing to reach 4.5% in 2020. A strong growth in net margin was witnessed in 2021 amounting 13.9% driven by the high EBITDA margin, which was normalized the following year of 2022 at 5.2%.

➢ EBITDA Margin and Net Margin both include net investment income, which is the main reason why in most years these margins are greater than the Gross Margin.

Profitability Margins

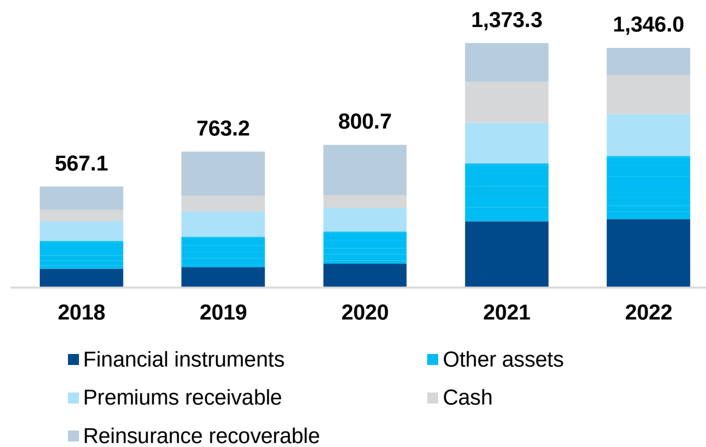


Source: Audited Financial Statements, Management, Markaz Analysis

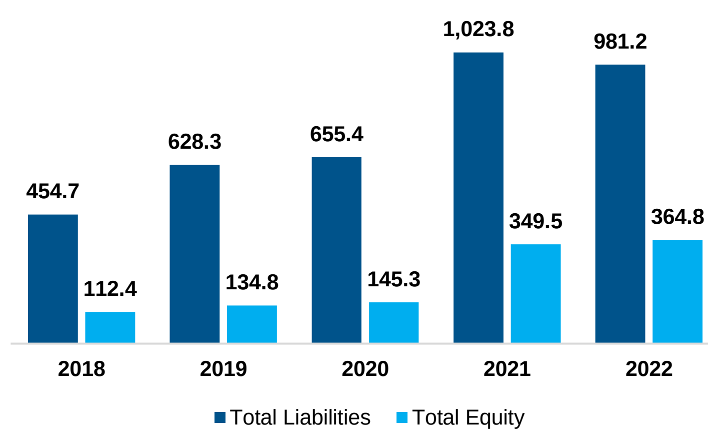
Executive Summary
Historical Financial Analysis

- **Total Assets:**
  - Total assets comprised of financial instruments (28.6%), other assets (26.3%), premiums receivable (17.5%), cash (16.4%), and reinsurance recoverable on outstanding claims (11.3%) as of 2022.
  - The Company registered KD 567.1 million in total assets in 2018 before increasing to KD 1,373.3 million in 2021 driven by the acquisition during the period. Total assets witnessed a decline in 2022 to KD 1,346.0 million driven by the decrease in reinsurance recoverable.
- **Total Liabilities:**
  - Total liabilities between 2018-2022, comprised of liabilities from insurance contracts (65.0%), insurance payables (18.6%), other liabilities (9.9%), bank borrowings (5.9%), and premiums received in advance (0.6%) on average.
  - Total liabilities increased across all analyzed years with the exception of 2022. 2018 recorded a total liabilities balance of KD 454.7 million which increased to KD 1,023.8 million in 2021 mainly driven by the 2021 acquisitions. 2022 recorded a decrease to KD 981.2 million mainly from the decrease in liabilities from insurance contracts and bank borrowings.
- **Shareholders' Equity:**
  - Shareholders' equity comprises retained earnings, share capital, share premium, treasury shares, reserves, foreign currency translation adjustments, effect of change in ownership interest of subsidiaries, subordinated perpetual tier 2 bonds, and non-controlling interest.
  - Shareholders' equity amounted to KD 112.4 million in 2018, growing to KD 145.3 million by 2020 mainly from the increase in retained earnings, revaluation reserve, and treasury shares.

Total Assets (KD million)



Capital Structure (KD million)



Source: Audited Financial Statements, Management, Markaz Analysis

Executive Summary

Historical Financial Analysis

Ratio Analysis	2018 (A)	2019 (A)	2020 (A)	2021 (A)	2022 (A)
Profitability Ratios					
Gross Margin	4.3%	5.5%	6.3%	7.6%	10.3%
EBITDA Margin	8.0%	8.3%	8.4%	17.7%	9.8%
Net Margin	4.0%	3.9%	4.5%	13.9%	5.2%
ROA	4.7%	4.5%	4.4%	8.6%	5.4%
ROE	13.0%	12.4%	14.3%	30.9%	12.1%
Leverage Ratios					
Total Liabilities to Total Assets	80.2%	82.3%	81.8%	74.5%	72.9%
Debt to Equity	41.5%	27.5%	0.9%	21.6%	15.9%
Interest Coverage	7.5x	7.3x	11.7x	35.0x	21.3x
Debt to EBITDA	214.1%	147.0%	4.4%	84.1%	74.7%
Liquidity Ratios					
Current Ratio	1.6x	1.9x	1.8x	2.8x	2.6x
Cash Ratio	0.5x	0.7x	0.5x	1.3x	1.1x
Activity Ratios					
Receivables turnover	3.3x	2.8x	3.4x	2.4x	3.5x
Payables turnover	2.3x	1.5x	1.4x	1.5x	2.2x
Receivable days	110	132	109	152	103
Payable days	161	250	254	242	162
Cash Conversion Cycle	**(51)**	**(118)**	**(145)**	**(91)**	**(59)**

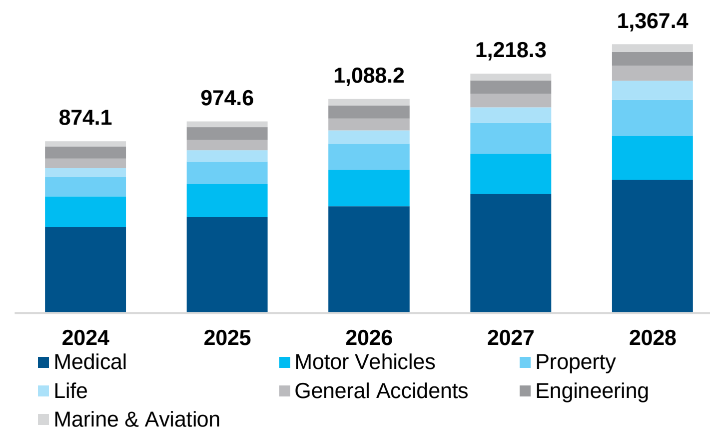
Source: Audited Financial Statements, Management, Markaz Analysis

Executive Summary
Financial Projections

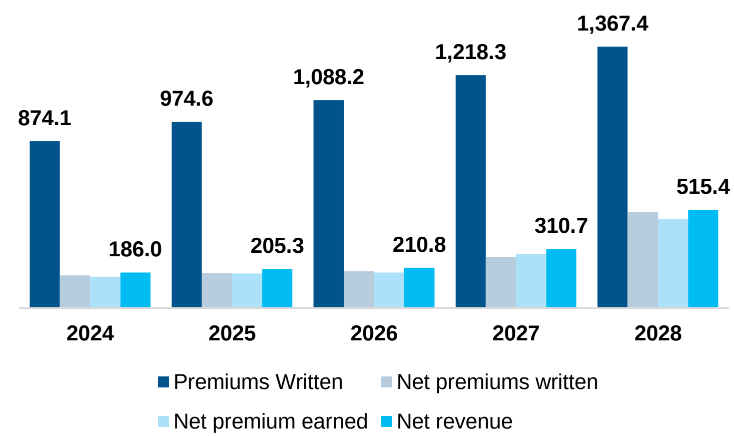
- **Direct Written Premiums:**
  - Gross Written Premiums constitute gross revenue and is projected to grow from KD 874.1 million in 2024 to reach KD 1.4 billion in 2028 with a CAGR of 11.8%.
  - While the Company operates across a wide spectrum of insurance services across multiple segments, the medical segment continued to be projected as the highest contributing component throughout all years, representing 49.5% of the direct premiums written as of 2028 and a growing at a projected CAGR of 11.5%.
  - Although the Life segment is not as significant as the Medical segment, it is expected to have the highest CAGR of 20.4% throughout the projected years.

- **Net Revenues:**
  - Net revenues are net of reinsurance premiums ceded, movement in unearned premiums reserve, movement in life mathematical reserve, commissions received, policy issuance fees, and net investment income from designated life and medical insurance.
  - Net revenues are projected to amount to KD 186.0 million in 2024 and grow to reach KD 515.4 million by 2028, representing a CAGR of 29.0%.

Direct Written Premiums by Segment (KD million)



Net Revenues (KD million)



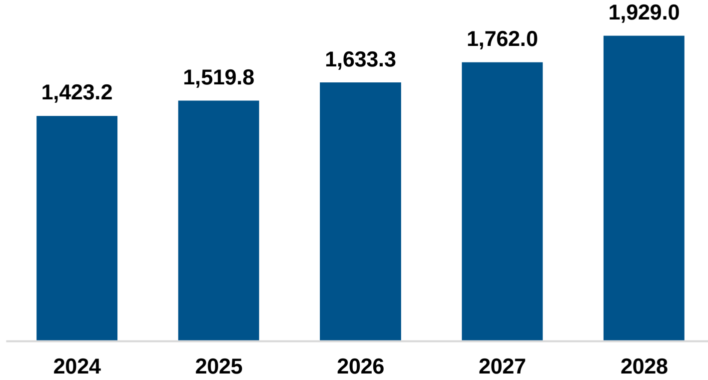
Source: Markaz Analysis

- **Total Assets:**
  - The Company's asset base is expected to grow between 2024-2028 from KD 1,423.2 million to KD 1,929.0 million, reflecting the growth in operations as translated in its key growing elements based on CAGRs: Cash (15.8%), Receivables (10.0%), and financial instruments (ranging from 7.2% to 8.7%).

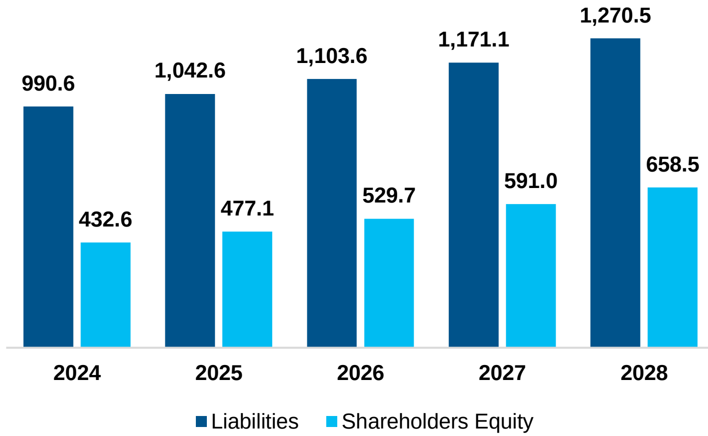
- **Total Liabilities:**
  - Liabilities are mainly composed of outstanding claims and reserves and follow the natural operation cycle in terms of progression across the years.
  - A key element, however, is the complete settlement of term loans by the year 2027 through a balloon principal payment of KD 18.7 million.

- **Shareholders' Equity:**
  - The major component of shareholders' equity is retained earnings, which experiences a steady growth across the projected years with a CAGR of 21.5% due to profitable operations.
  - The second highest element in terms of weightage is the subordinated perpetual tier 2 bonds, which was issued by the Company on November 10th, 2021 (callable after 5 years) and is projected to remain on the Company's books as there is no intentions of calling it throughout the projected period.

Total Assets (KD million)



Capital Structure (KD million)



Source: Markaz Analysis

Executive Summary

Financial Projections

Ratio Analysis	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Profitability Ratios						
Gross Margin	8%	8%	7%	7%	7%	7%
EBITDA Margin	7%	8%	8%	8%	8%	7%
Net Margin	4%	5%	5%	5%	5%	5%
ROA	4%	5%	4%	5%	5%	5%
ROE	8%	10%	10%	11%	11%	11%
Leverage Ratios						
Total Liabilities to Total Assets	71%	70%	69%	68%	66%	66%
Debt to Equity	14%	10%	6%	4%	0%	0%
Interest Coverage	9.4x	9.7x	11.1x	13.3x	16.1x	20.9x
Debt to EBITDA	86%	58%	41%	23%	0%	0%
Liquidity Ratios						
Current Ratio	2.4x	2.5x	2.6x	2.7x	2.8x	3.0x
Cash Ratio	0.9x	0.9x	1.0x	1.0x	1.1x	1.3x
Activity Ratios						
Receivables turnover	3.5x	3.5x	3.5x	3.5x	3.5x	3.5x
Payables turnover	2.2x	2.2x	2.3x	2.3x	2.4x	2.4x
Receivable days	103	103	103	103	103	103
Payable days	167	162	159	156	153	150
Cash Conversion Cycle	**(64)**	**(59)**	**(56)**	**(53)**	**(50)**	**(47)**

Source: Markaz Analysis

Executive Summary

Valuation

- **Valuation:**

Fair Market Value of the Company

50% **Discounted Cash Flow**

50% **Relative Valuation**

- We used the weighted average of different valuation methods to arrive at the fair market value of The Company, whereby:
  - **Discounted Cash Flow to the Firm:** The Company was valued based on the projected free cash flow to the firm based on information provided by the management of the Company, review of historic financial performance, financial analysis and revisions by Markaz.
  - **Relative Valuation:** We used several price multiples to compare the Company with local and regional peers and have also considered adjustments for size and liquidity.
    - Enterprise Value-to-EBITDA
    - Price-to-Earnings
    - Price-to-Book

Source: Markaz Analysis

Executive Summary

Valuation

- **Valuation:** Based on our analysis, the Company's estimated fair market value for a 100% stake is as follows:

Methodology	Equity Value (KD)	Per Share (KD)	Weightage (%)
Discounted Cash Flow	821,447,296	2.89	50%
Relative Valuation	453,140,487	1.60	50%
Weighted Average	**637,293,892**	**2.25**	**100%**

Implied Multiples	2023 (E)
EV to EBITDA	7.5x
P/E	20.5x
P/BV	1.6x

- **Equity Value Sensitivity:** WACC and perpetual growth rate (DCF):

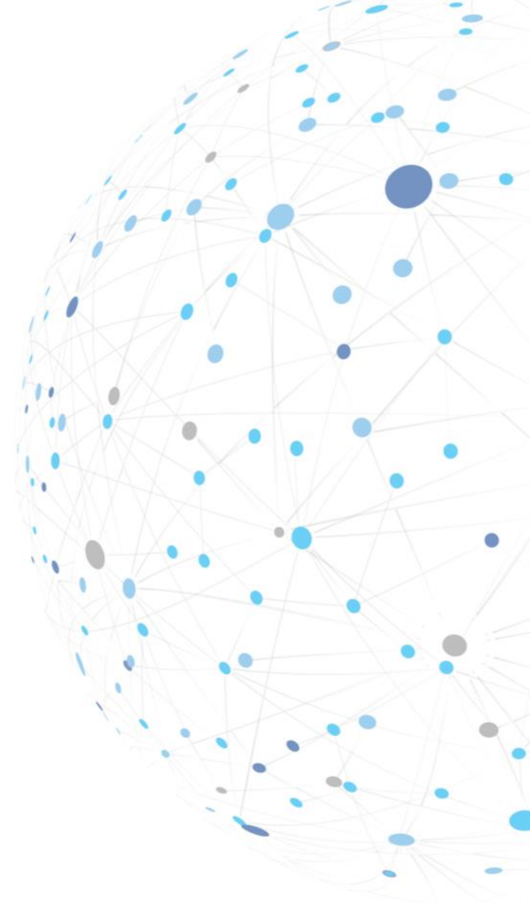
WACC

Growth Rate	Per Share (KD)	11.18%	12.18%	13.18%	14.18%	15.18%
	0.50%	3.22	2.97	2.76	2.58	2.43
	1.00%	3.32	3.05	2.82	2.63	2.47
	1.50%	3.43	3.14	**2.89**	2.69	2.52
	2.00%	3.55	3.23	2.97	2.75	2.57
	2.50%	3.68	3.34	3.05	2.82	2.63

Source: Markaz Analysis

Note: Please carefully read the caveats and limiting conditions in Appendix I.

The Company



Background

- **Company Overview:**
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  - The Company has grown to become a leading insurance company in the region offering consumers a wide range of conventional insurance products in an array of diverse sectors.
  - GIG led technological advancements in the regional insurance market by being the first insurance company to provide consumers with online insurance policies as well as an online health claims approval system.
  - GIG is well diversified geographically having operations in 13 countries across the MENA region.

Board of Directors

Member(s)	Position
Mr. Farqad Abdullah Ali Al-Sane	Chairman
Mr. Faisal Hamad Mubarak Al Hamad Al-Ayyar	Vice Chairman
Mr. Khalid Sauod Abdulaziz Al-Hassan	CEO & Board Member
Sheikha Edana Naser Sabah Al-Ahmad Al-Sabah	Board Member
Mr. Bijan Khosrowshahi	Board Member
Mr. Jean Cloutier	Board Member
Mr. Robert Quinn Mclean	Board Member
Mr. Abdullah Mohammad Abdulaziz Al-Mansour	Board Member
Mr. Abdul Elah Mohammad Rafiee Marafi	Board Member
Mr. Abdulaziz Saoud Al-Fulaij	Board Member

Executive Management

Name	Position
Mr. Khalid Sauod Abdulaziz Al-Hassan	Chief Executive Officer
Mr. Farid Sabir	Assistant Chief Executive Officer
Mr. Osama Kishk	Chief Financial Officer

Source: Company Website, Management

Background

- **Recent News and Shareholder Structure:**
  - On April 18, 2023, Kuwait Projects Company Holding (KIPCO) announced its intention to sell its 46.3% ownership in Gulf Insurance Group to Fairfax Financial Holdings Limited (Fairfax) for KD 263.7 million through off-market transactions.
  - On December 13, 2023, a sequence of off-market transactions occurred on Boursa Kuwait. In these transactions, Fairfax acquired a total of **131.8 million shares at a share price of KD 1.946 (KD 2.000 – KD 0.054)**, with a combined value of **KD 256.5 million.** This led to an increase in Fairfax's overall ownership in GIG to **89.8%.**
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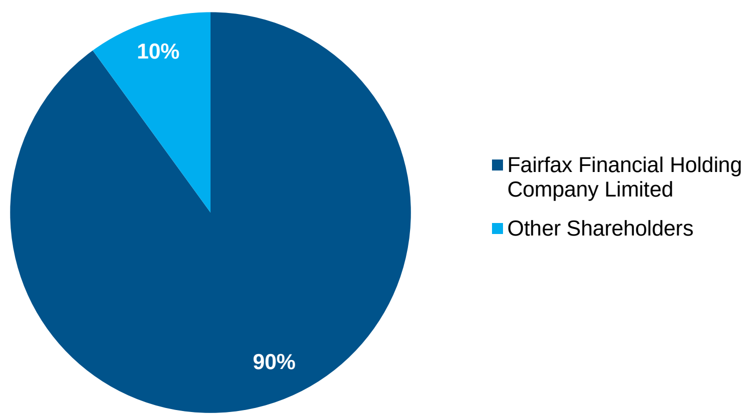
Shareholder Structure



Source: Boursa Kuwait

The Company
Company Overview

Background

- **Key Products:** Below is a selection of GIG's key products

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Third Party Liability
Comprehensive

Casualty
Travel
Personal Accident
Medical Malpractice

Medical
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Marine
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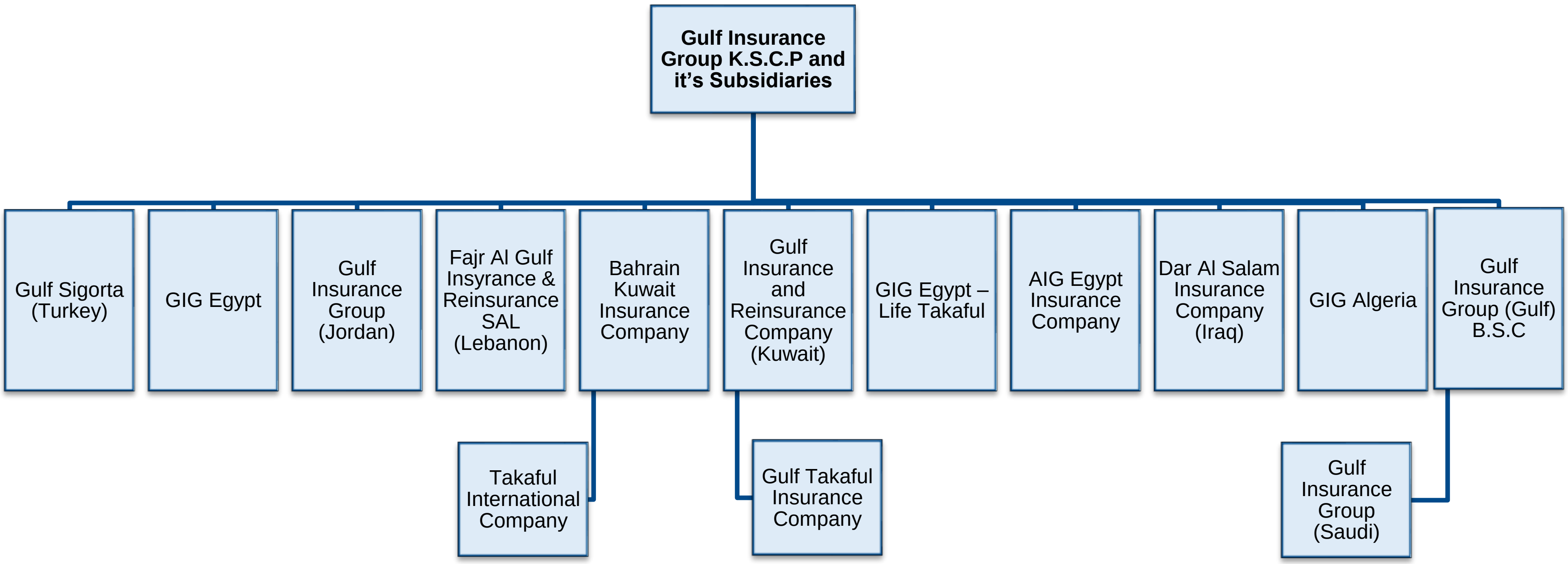
Term Life
Thokhour *
Srilankan Domestic Worker

Source: Company Website, Management
Note: * FAY, Asfar, and Thokhour are names of insurance programs.

Group Structure



Source: Management

Historical Financial Analysis

Historical Financial Analysis

Revenues

- **Direct Written Premiums:**
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    - **Medical (51.1%)**
    - **Motor Vehicles (15.3%)**
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  - 2022 witnessed a greater growth reaching KD 831.7 million influenced by the full impact of the acquisition of AXA Insurance Gulf that occurred towards the end of 2021.
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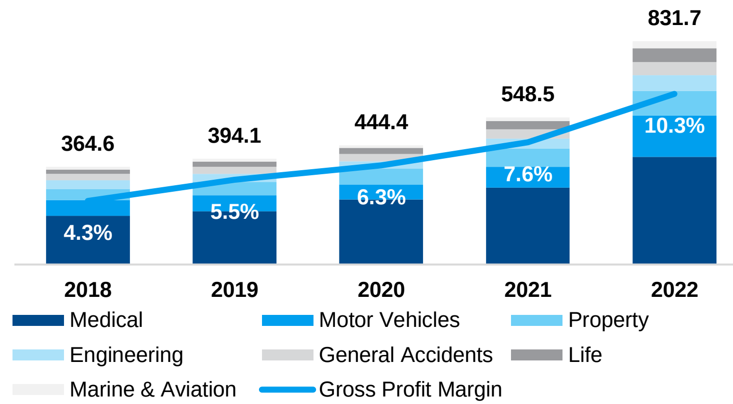
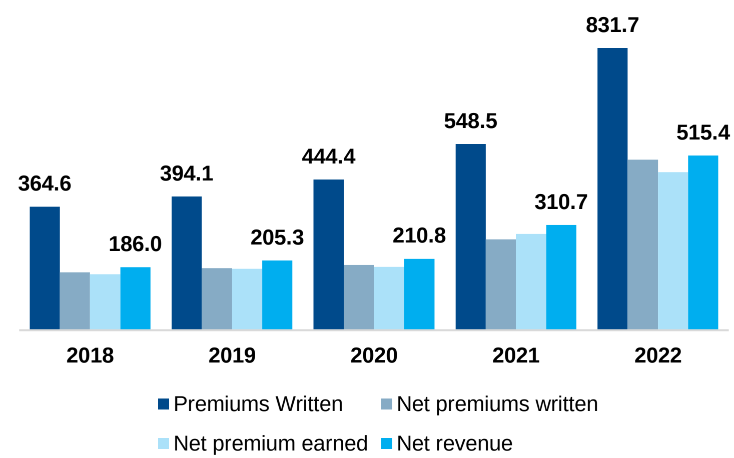
  - Net revenues witnessed the same growth trends as total revenues, growing from KD 186.0 million in 2018 to KD 515.4 million as of 2022. Net revenues constituted an average of 53.8% of total revenues, throughout the analyzed period.

Direct Written Premiums by Segment (KD million)



Net Revenues (KD million)

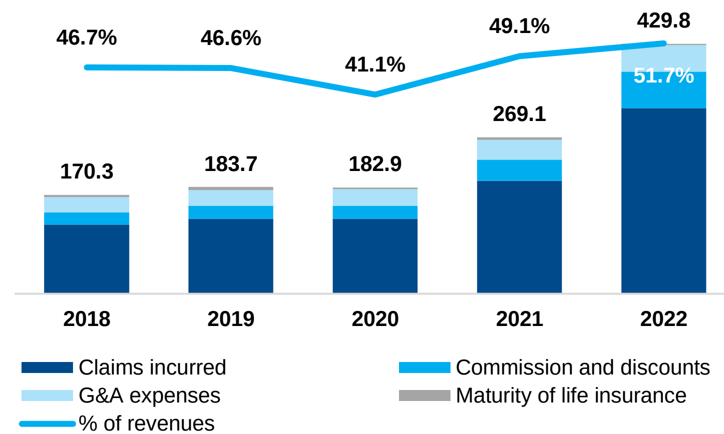


Source: Audited Financial Statements, Management, Markaz Analysis

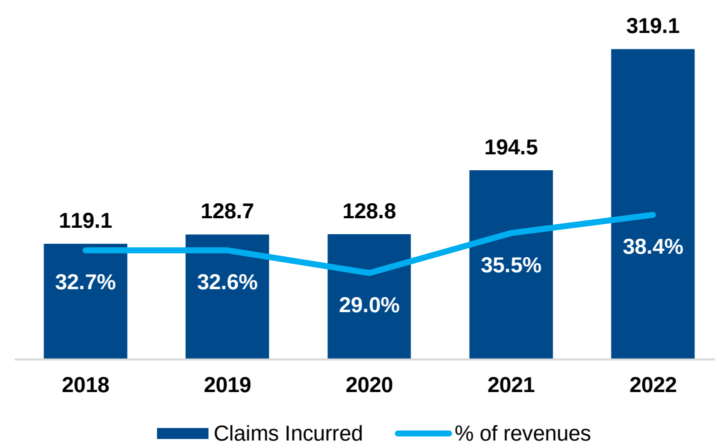
Historical Financial Analysis
Cost of Revenues

- **Direct Expenses:**
  - Between 2018-2022, direct expenses were comprised of claims incurred, commissions and discounts, G&A expenses, and maturity of life insurance policies.
  - Direct expenses increased from KD 170.3 million in 2018 to KD 182.9 million in 2020, however dropped as a percentage of revenues from 46.7% to 41.1%. The account witnessed a greater increase in 2021 to KD 269.1 million and further to KD 429.8 million as of 2022 on account of the acquisition that took place. Direct expenses as a percentage of revenues also increased to 49.1% in 2021 and further to the peak of 51.7% as of 2022.
  - The main factor contributing to the growth of direct expenses is claims incurred, which grew from KD 119.1 million in 2018 to KD 319.1 million as of 2022.
- **Claims Incurred:**
  - Claims incurred represents the net gross claims paid after deducting reinsurance recoveries and the net change in reserves.
  - Claims incurred amounted to KD 119.1 million in 2018 and increased to KD 128.8 million as of 2020, decreasing slightly as a percentage of revenues during the same period from 32.7% to 29.0%.
  - 2021 and 2022 witnessed greater increases in claims incurred reaching KD 194.5 million and KD 319.1 million, respectively increasing from 29.0% of revenues in 2020 to 38.4% of revenues as of 2022.

Direct Expenses (KD million)



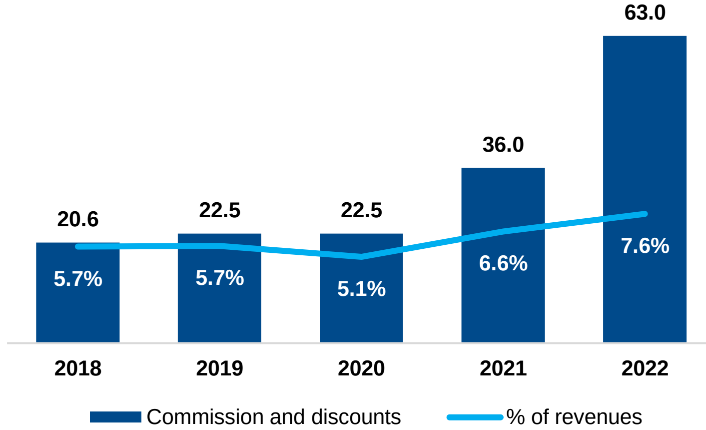
Claims Incurred (KD million)



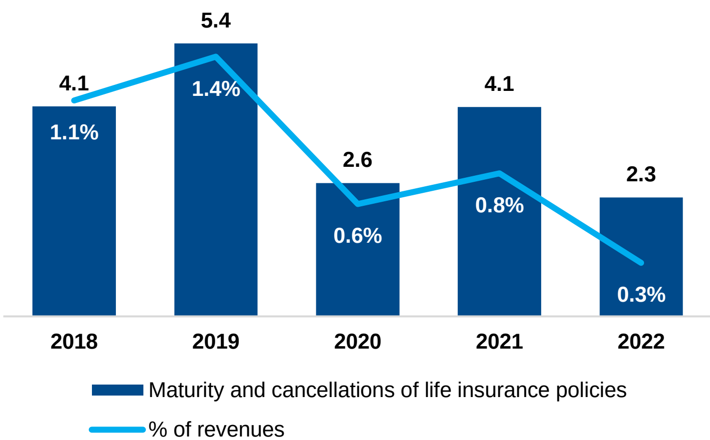
Source: Audited Financial Statements, Management, Markaz Analysis

- **Other Direct Expenses:**
  - **Commission and Discounts:** Increased from KD 20.6 million in 2018 to KD 63.0 million as of 2022. A majority of the increase was witnessed in 2022 where it grew by KD 27.0 million.
  - **G&A Expenses:** Grew y-o-y from KD 26.4 million in 2018 to 45.4 million as of 2022, however decreased as a percentage of revenues from 7.2% in 2018 to 5.5% in 2022. It is worth noting that G&A expenses albeit fixed to an extent in nature, is treated as part of direct costs of operations in contrast to unallocated G&A expenses, which is recorded below net underwritten premiums (gross profit).
  - **Maturity and Cancellations:** Increased from KD 4.1 million in 2018 to the peak of KD 5.4 million in 2019 and then decreased to end 2022 with a balance of KD 2.3 million. The account also decreased as a percentage of revenues from the peak of 1.4% in 2019 to 0.3% in 2022.

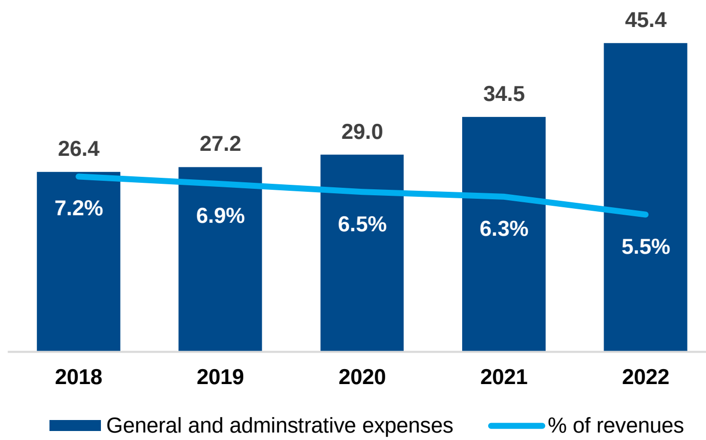
Commissions and Discounts (KD million)



Maturity and Cancellations (KD million)



G&A Expenses (KD million)



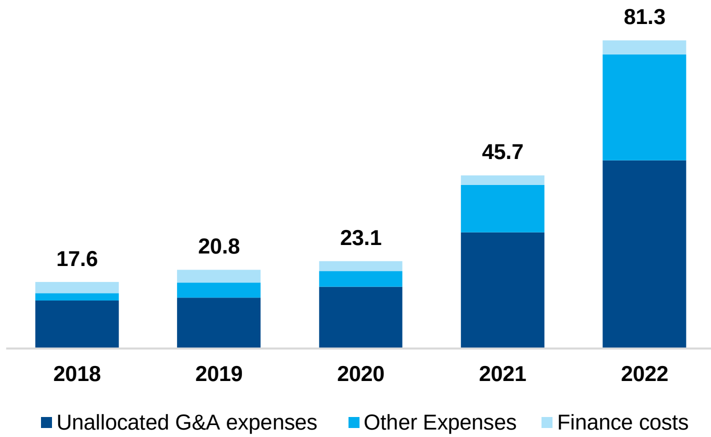
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

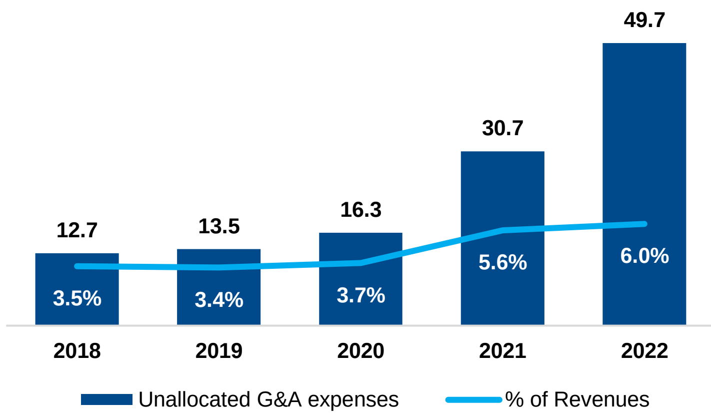
Indirect Expenses

- **Indirect Expenses:**
  - Indirect expenses comprise of unallocated G&A expenses (61.1%), other expenses (34.5%), and finance costs (4.5%) as of 2022.
  - Indirect expenses witnessed a stable growth in-line with the growth in revenues between 2018-2020 growing from KD 17.6 million to KD 23.1 million respectively. Such expenses were no exception to the overall influence that was introduced by the acquisition and as such, 2021 and 2022 witnessed a greater growth reaching KD 45.7 million and KD 81.3 million respectively.
- **Unallocated G&A Expenses:**
  - Unallocated G&A expenses have witnessed growth across all years analyzed growing from KD 12.7 million in 2018 to KD 16.3 million in 2020 representing 3.4% to 3.7% of revenues.
  - Higher growth was witnessed in 2021 recording 88.3% y-o-y growth or KD 30.7 million and 2022 with 61.8% y-o-y growth reaching KD 49.7 million. Unallocated G&A expenses as a percentage of revenues grew to 5.6% and 6.0% respectively.

Indirect Expenses (KD million)



Unallocated G&A Expenses (KD million)



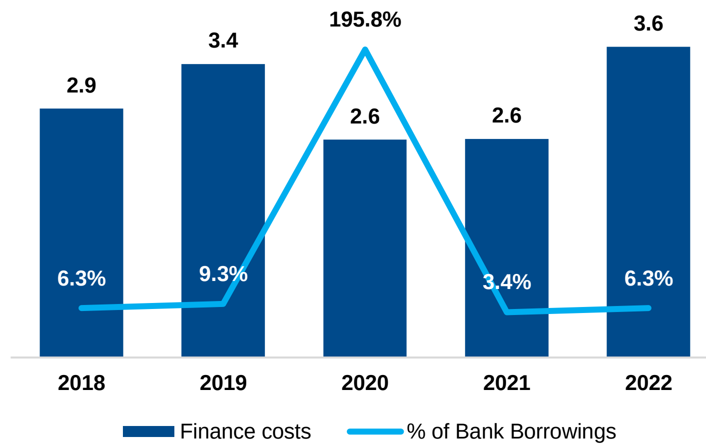
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

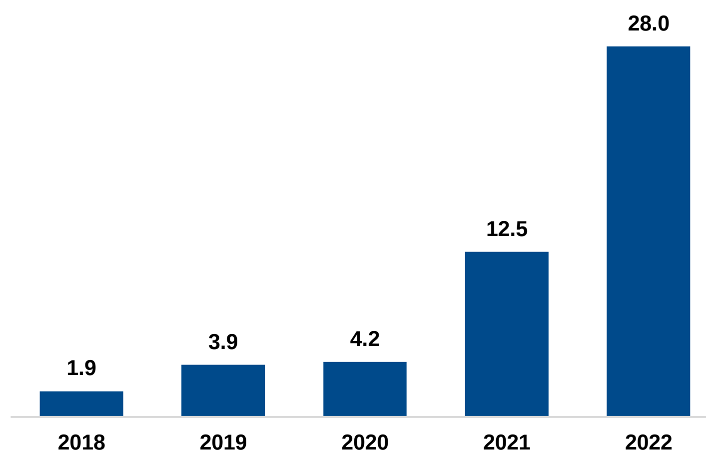
Finance Cost & Other Expenses

- **Finance Cost:**
  - Finance costs have recorded an average of KD 3.0 million between 2018 and 2022.
  - Prior to 2019, GIG used to consolidate its debt balances under a single account being bank overdrafts. Subsequently, the Company began to segregate it between bank overdrafts and term loans. The current interest rate of the debt balances is 1.25% over CBK discount rate.
  - Finance costs increased from 6.3% as of 2018 to 9.3% in 2019 as a percentage of bank borrowings and lease liabilities, followed by a decrease to the low of 3.4% as of 2021. Finance costs then increased to 6.3% as of 2022.
  - The Company settled its outstanding debt in 2020 and accordingly, the ratio spike in 2020 is an outlier due to no borrowings and the existence of minor lease liability of KD 1.3 million.
- **Other Expenses:**
  - Other expenses includes tax provisions, taxation from subsidiaries, board remuneration, amortization of intangible assets, impairment of goodwill, and monetary loss of hyper inflation.
  - Tax provisions were KD 0.5 million in 2018 and grew to KD 1.5 million by 2022. Taxation from subsidiaries stood at KD 1.2 million and reached KD 5.3 million over the same period.
  - Amortization of intangible assets in 2021 and 2022 recorded KD 1.4 million and KD 4.3 million, respectively, noting that there was no amortization in previous years.
  - Goodwill impairment of KD 3.9 million in 2021 was on account of the Company's subsidiary L'Algerienne Des Assurance, noting that no impairment was recognized in prior years.
  - Monetary loss of hyper inflation recorded a balance of KD 16.7 million in 2022 relating to operations in Turkey, with no reoccurrence on all other years analyzed.

Finance Cost (KD million)



Other Expenses (KD million)



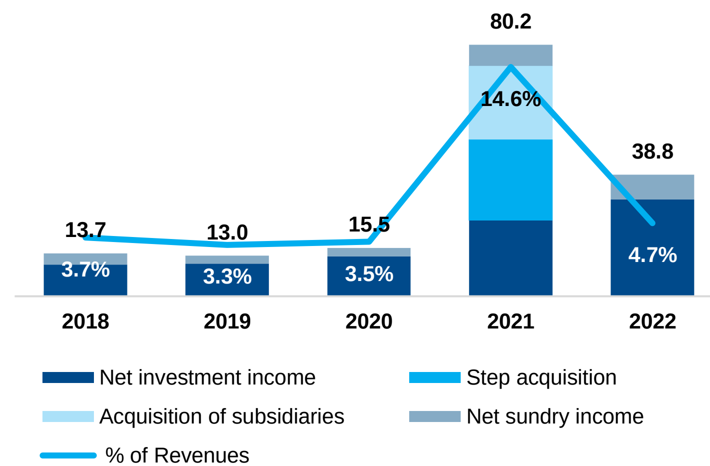
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

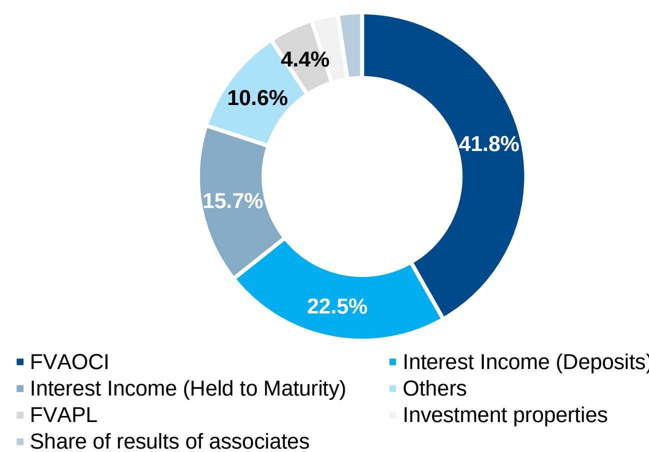
Other Income

- **Other Income:**
  - Other Income comprises net investment income, step acquisition, acquisition of subsidiaries, and net sundry income.
  - Step acquisition refers to the increase in equity ownership in associate to become a subsidiary. On 6 September 2021, AXA Gulf had acquired an additional 18% equity interest in AXA KSA, which was previously held as an investment in associate with an effective equity holding of 32%, resulting in total effective equity holding of 50% in AXA KSA.
  - Other income grew from KD 13.7 million in 2018 to a peak pf KD 80.2 million in 2021 as a result of step acquisition and acquisition of subsidiaries and then decreased to KD 38.8 million in 2022.
- **Net Investment Income:**
  - Net Investment Income (as of 2022) includes fair value assets through other comprehensive income (FVAOCI), interest income from deposits, interest income from held to maturity assets (HTM), fair value assets through profit or loss (FVAPL), investment properties, share of result of associates, and others.
  - The main contributors to Net Investment Income in 2022 are FVAOCI (41.8%), followed by interest income from deposits (22.5%), Interest income from held to maturity assets (15.7%).
    - FVAOCI: debt or equity securities purchased with the intent of selling before maturity.
    - Interest income from deposits: all deposits with a term exceeding a year.
    - Interest income from held to maturity assets: financial assets that have fixed payments and a specific maturity date, with the intention of holding until maturity.

Other Income (KD million)



Net Investment Income (2022)



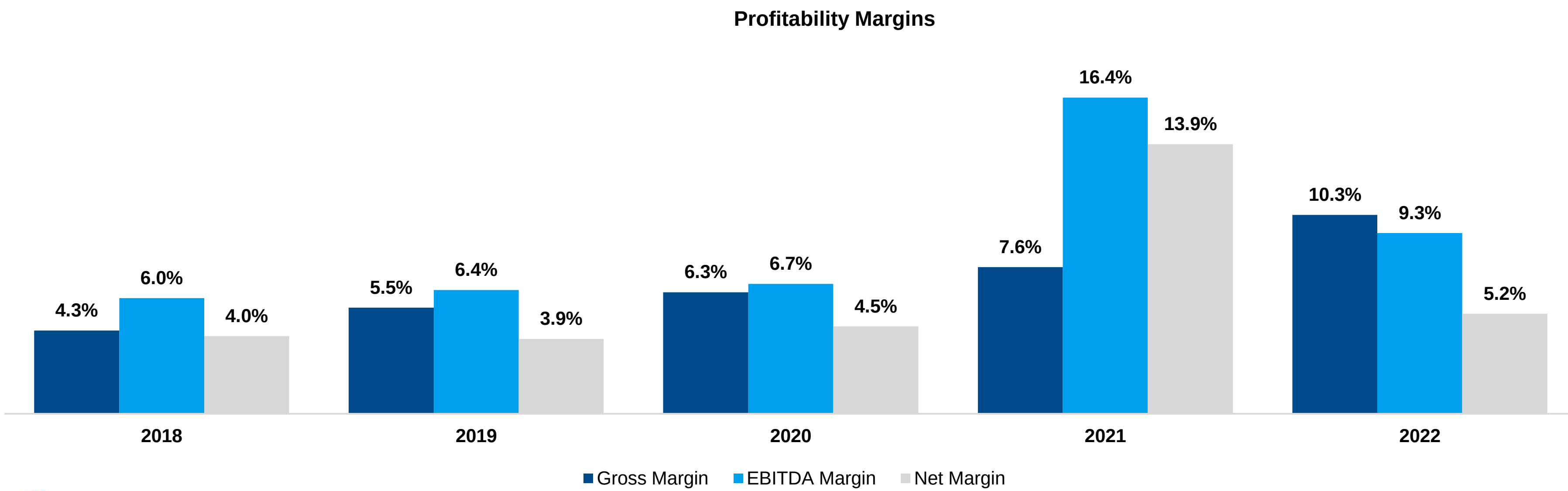
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

Profitability Margins

- **Gross Margin:** Gross margin increased from 4.3% in 2018 to 10.3% in 2022, witnessing stable growth in all years mainly due to the decline of the direct G&A expenses as a percentage of revenues from 7.2% in 2018 to 5.5% in 2022.
- **EBITDA Margin:** EBITDA margin grew from 6.0% in 2018 to 6.7% in 2020, which was followed by a spike to peak at 16.4% in 2021 due to the gain on remeasurement of a former associate from step acquisition and gain on bargain purchase from acquisition of subsidiaries. The margin then stabilized at 9.3% as of 2022.
- **Net Margin:** Net margin fluctuated over the analyzed period between 3.9% and 13.9%. The net margin in 2018 was 4.0%, decreasing to 3.9% in 2019, before increasing to reach 4.5% in 2020. A strong growth in net margin was witnessed in 2021 amounting 13.9% driven by the high EBITDA margin, which was normalized the following year of 2022 at 5.2%.

➢ EBITDA Margin and Net Margin both include net investment income, which is the main reason why in most years these margins are greater than the Gross Margin.



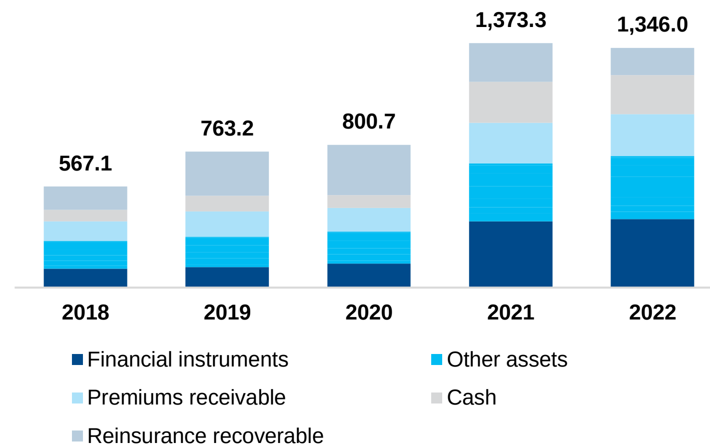
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

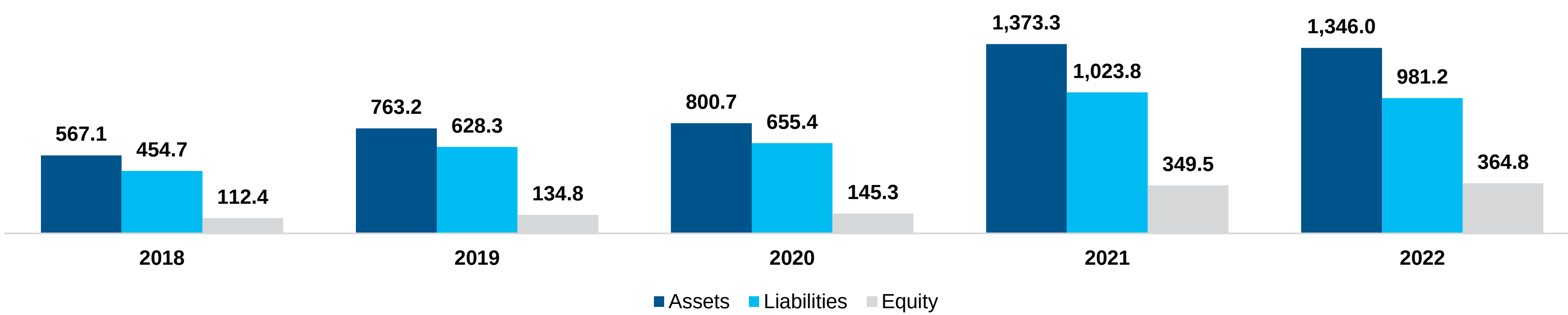
Asset Composition

- **Total Assets:**
  - Total assets comprised of financial instruments (28.6%), other assets (26.3%), premiums receivable (17.5%), cash (16.4%), and reinsurance recoverable on outstanding claims (11.3%) as of 2022.
  - The Company registered KD 567.1 million in total assets in 2018 before increasing to KD 763.2 million in 2019 primarily driven by the increase in reinsurance recoverable. The Company's asset base grew in 2020 to KD 800.7 million, further growing in 2021 to KD 1,373.3 million attributable to the acquisition during the period.
  - Total assets witnessed a decline in 2022 to KD 1,346.0 million driven by the decrease in reinsurance recoverable.
  - Note, other assets include deposits, PP&E, goodwill, & intangible assets.

Total Assets (KD million)



Summarized Position (KD million)



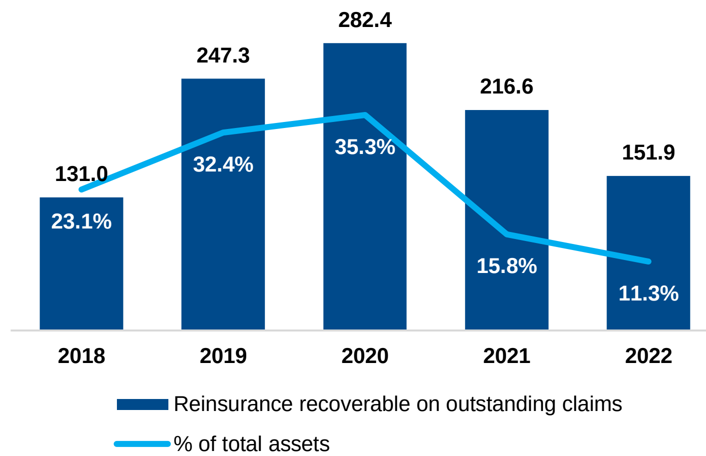
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

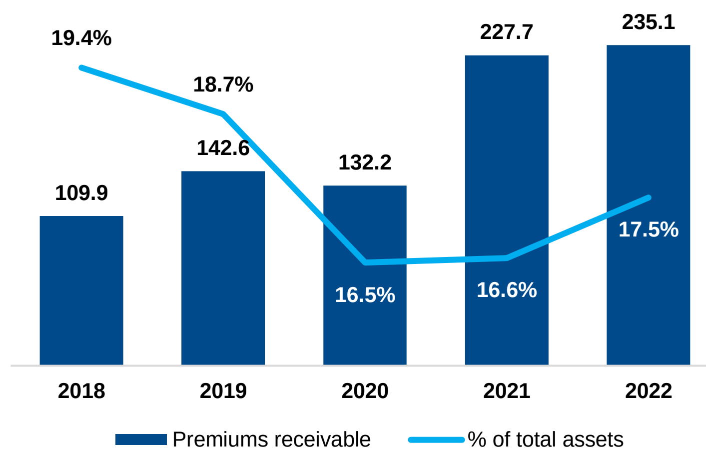
Asset Composition

- **Reinsurance recoverable on outstanding claims:**
  - Reinsurance recoverable refers to the amount of an insurer's incurred losses that reinsurers will pay.
  - The account witnessed significant growth from KD 131.0 million in 2018 to KD 282.4 million in 2020, and comprised 23.1% to 35.3% of total assets during the same period, due to a natural increase in the portion of insurances reinsured with other companies compounded with a relatively lower collection rate.
  - A decline was witnessed in 2021 and 2022, to KD 216.6 million and KD 151.9 million respectively due to a greater recoverable rate, which stood at approximately net KD 65.0 million in both years. The decline was also witnessed in relation to the total asset base as reinsurance recoverable declined to 11.3% of total assets as of 2022.
- **Premiums receivable:**
  - Premiums receivable increased from KD 109.9 million in 2018 to KD 142.6 million in 2019 which was followed by a decrease to KD 132.2 million as of 2020.
  - 2021 and 2022 witnessed higher growth reaching KD 227.7 million and KD 235.1 million, respectively, yet remained in-line with the total asset base size, because of the account's consolidation treatment following the acquisition of AXA that occurred in 2021.
  - Premiums receivable fluctuated between 16.5% and 19.4% as a percentage of total assets.

Reinsurance Recoverable on Outstanding Claims (KD million)



Premiums Receivable (KD million)



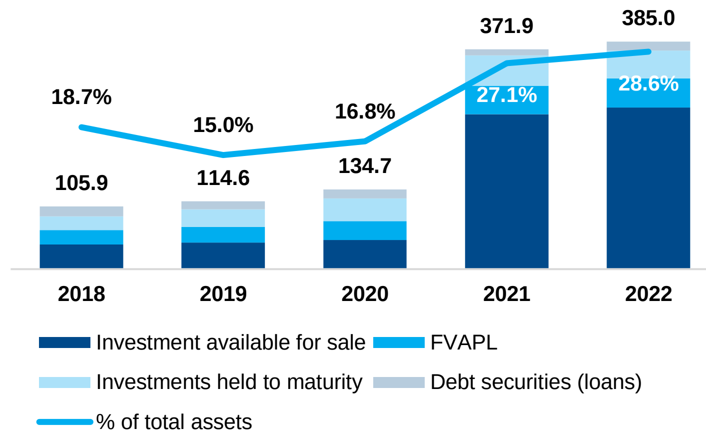
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

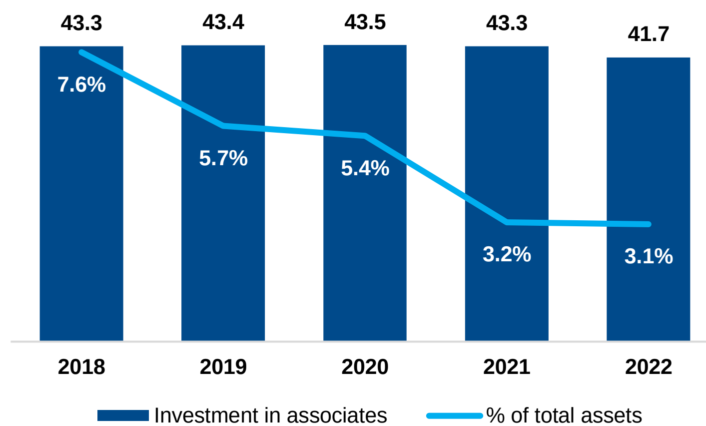
Asset Composition

- **Financial Instruments:**
  - Financial instruments are composed of the following (as of 2022): Investments available for sale (70.9%), fair value assets through profit or loss (FVAPL) (12.8%), investments held to maturity (HTM) (12.2%), and debt securities (4.0%).
  - Financial Instruments grew from KD 105.9 million to KD 134.7 million between 2018-2020 with a spike in 2021 reaching KD 371.9 million, further growing in 2022 to KD 385.0 million. The increase is a result of the acquisitions in 2021.
  - Historically, investments available for sale have been the largest component of financial instruments, recording an average of 38.2% of financial instruments between 2018-2020, which increased to an average of 70.7% between 2021-2022.
  - Financial instruments constituted an average of 16.8% of total assets between 2018-2020, increasing to an average of 27.8% between 2021-2022.
- **Investment in Associates:**
  - Investment in associates as a percentage of total assets declined over the years from 7.6% in 2018 to 3.1% as of 2022 as the asset base grew while the investment in associates remained stable as a KD figure.
  - The Company has ownerships in 7 associates as of 2022 of which the material associates are as follows:
    - Al Buruj Co-operative Insurance Co.
    - Al Argan International Real Estate Co.
    - Alliance Insurance Co.

Financial Instruments (KD million)



Investment in Associates (KD million)

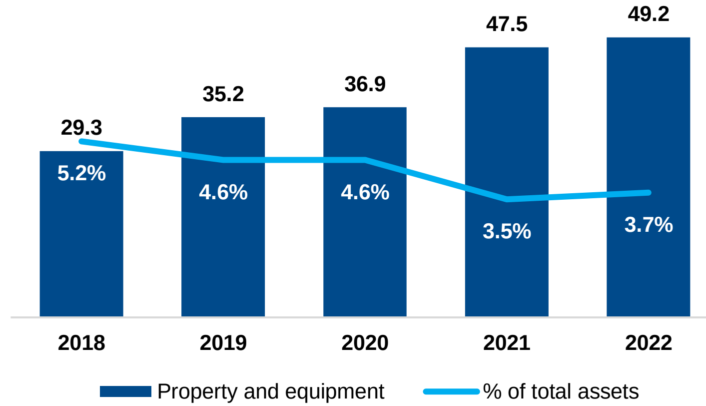


Source: Audited Financial Statements, Management, Markaz Analysis

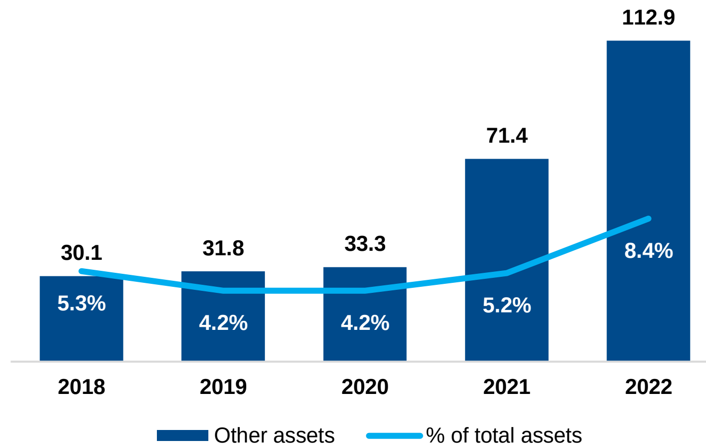
Historical Financial Analysis
Asset Composition

- **Property and Equipment (PP&E):**
  - PP&E is composed of the following: buildings (47.3%), land (34.9%), computers (12.2%), furniture and fixtures (4.5%), motor vehicles (0.7%), and leasehold improvements (0.4%), as of 2022.
  - PP&E gradually increased y-o-y from KD 29.3 million to KD 49.2 million between 2018-2022. The noticeable increase in 2021 was mainly driven by additions across buildings, land, and computers, with the majority being from buildings (net increase of KD 5.2 million).
  - PP&E decreased as a percentage of total assets from 5.2% in 2018 to 3.5% as of 2021, followed by a slight increase in 2022 to 3.7% of total assets as the asset base of 2022 slightly declined.
- **Other Assets:**
  - Other assets include right of use assets and loans secured by life insurance policies, commission income receivables, intangible assets, deferred acquisition costs, prepaid expenses, Qard Hassan, among other assets.
  - Other assets balance recorded an average of KD 31.7 million between 2018-2020, which increased noticeably in 2021 and 2022 reaching KD 71.4 million and 112.9 million, respectively. The growth witnessed in 2021 and 2022 was mainly driven by the introduction of Qard Hassan to subsidiaries, and an increase in deferred acquisition cost.

Property and Equipment (KD million)



Other Assets (KD million)



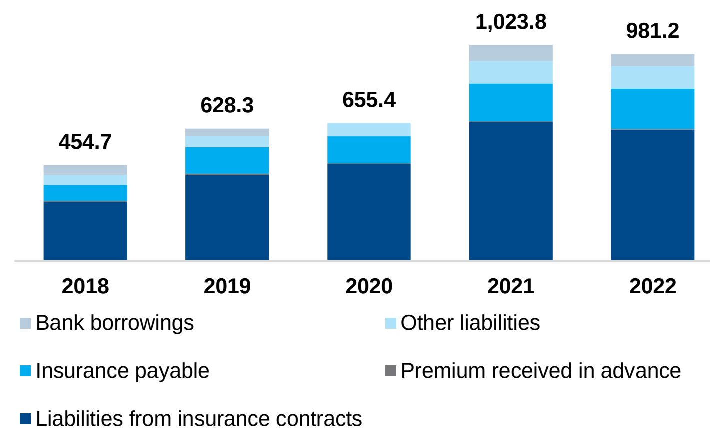
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

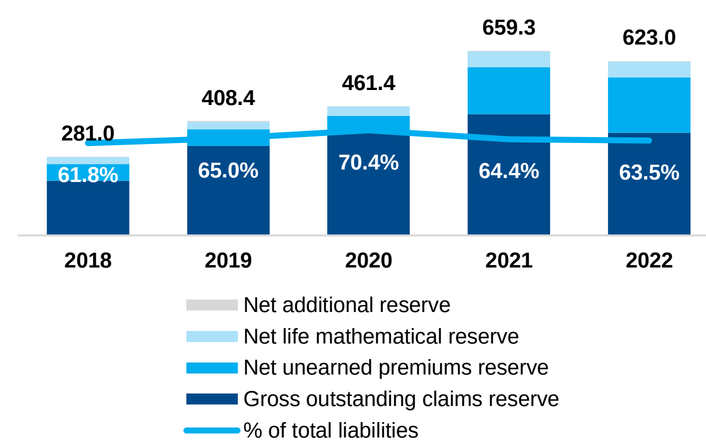
Liabilities Composition

- **Total Liabilities:**
  - Total liabilities between 2018-2022, comprised of liabilities from insurance contracts (65.0%), insurance payables (18.6%), other liabilities (9.9%), bank borrowings (5.9%), and premiums received in advance (0.6%) on average.
  - Total liabilities increased across all analyzed years with the exception of 2022. 2018 recorded a total liabilities balance of KD 454.7 million which increased to KD 655.4 million in 2020, and further to KD 1,023.8 million in 2021 mainly driven by the 2021 acquisitions.
  - 2022 recorded a decrease to KD 981.2 million mainly from the decrease in liabilities from insurance contracts and bank borrowings.
- **Liabilities from Insurance Contracts:**
  - Gross outstanding claims reserve include outstanding claims reserve and incurred but not reported reserve. The balance grew from KD 195.4 million in 2018 to KD 432.9 million in 2021, followed by a decline to KD 367.1 million as of 2022.
  - Net unearned premiums reserve recorded an average of KD 58.4 million between 2018-2020 which was followed by a spike to KD 167.6 million in 2021, and a further increase to KD 196.8 million as of 2022.
  - Net life mathematical reserve grew from KD 24.5 million in 2018 to KD 56.6 million in 2022 with most of the growth materializing in 2021.
  - Net additional reserve recorded an average balance of KD 2.1 million between 2018-2022.
  - Liabilities arising from insurance contracts as a percentage of total liabilities grew from 61.8% in 2018 to a peak of 70.4% in 2020, followed by a decline to 63.5% as of 2022.

Total Liabilities (KD million)



Liabilities Arising From Insurance Contracts (KD million)



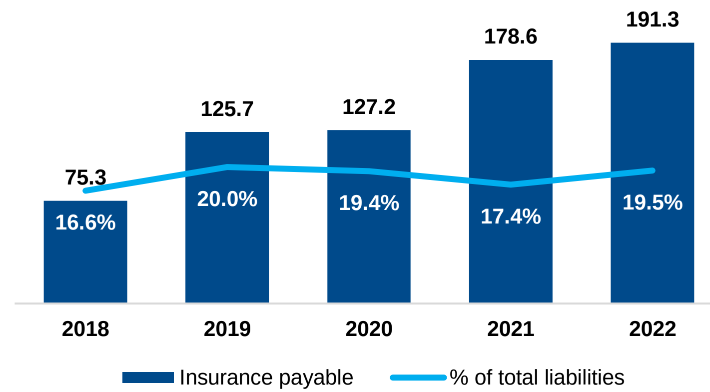
Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

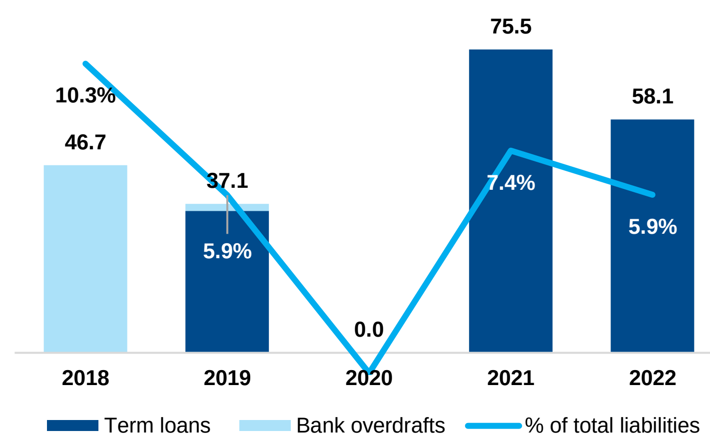
Liabilities Composition

- **Insurance Payable:**
  - Insurance payable grew from KD 75.3 million in 2018 to an average of KD 126.5 million between 2019-2020.
  - 2021 and 2022 witnessed continued growth reaching KD 178.6 million and KD 191.3 million, respectively .
  - Insurance payable as a percentage of total liabilities remained between 16.6% and 20.0% throughout the analyzed period of 2018-2022.
- **Bank Borrowings:**
  - Bank borrowings consist of term loans and bank overdrafts.
  - As of 2018, bank borrowings amounted to KD 46.7 million, noting that all the balance was classified as bank overdrafts. 2019 saw a decline in bank borrowings to KD 37.1 million, 95.1% of which were from term loans and 4.9% were from bank overdrafts.
  - All bank borrowings were settled as of 2020.
  - 2021 and 2022 recorded balances of KD 75.5 million and KD 58.1 million, respectively. This was mainly for the purposes of funding the acquisition of AXA KSA.
  - Bank borrowings recorded an average of 7.4% of liabilities on average between 2018-2022, with the exclusion of 2020.
  - Term loans comprise of two loans maturing in September 2027 and December 2027. As highlighted earlier, both charge an interest rate of 1.25% over CBK rate.

Insurance Payable (KD million)



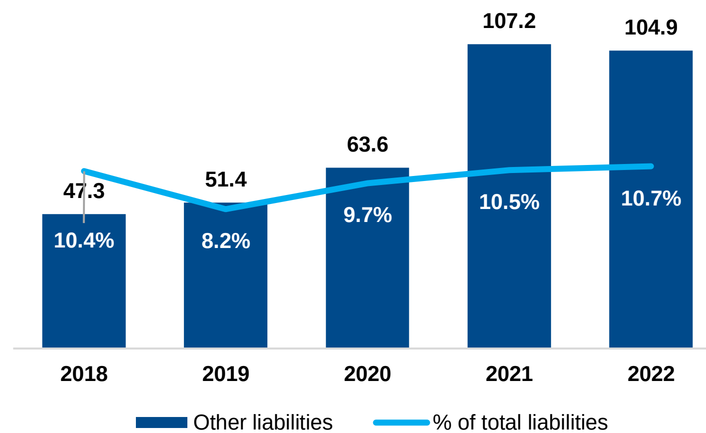
Bank Borrowings (KD million)



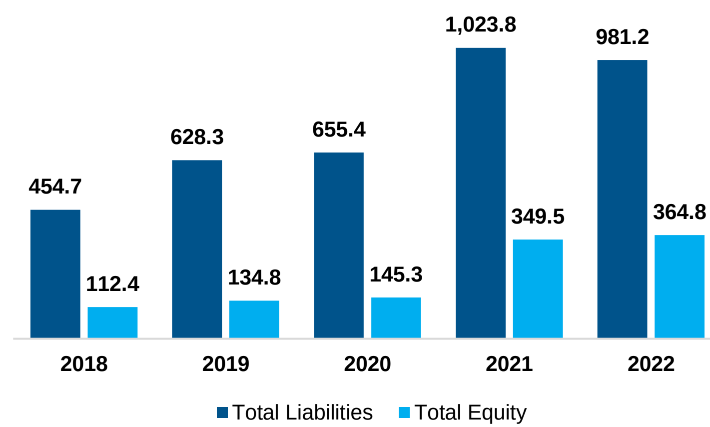
Source: Audited Financial Statements, Management, Markaz Analysis

- **Other Liabilities**
  - Other liabilities comprises accrued expenses, taxation from subsidiaries, end of service benefits, deferred acquisition costs, among others.
  - Other liabilities increased from KD 47.3 million in 2018 to KD 63.6 million as of 2020. Note, in 2020 there was a KD 1.3 million balance in lease liabilities included in other liabilities.
  - 2021 witnessed greater growth to KD 107.2 million mainly attributable to the acquisition of the period. 2022 recorded a slight decrease in other liabilities to KD 104.9 million mainly because of decreased accrued expenses. While the growth was substantial, other liabilities only increased as a percentage of revenues from 9.7% in 2020 to 10.7% in 2022.
- **Shareholders' Equity:**
  - Shareholders' equity comprises retained earnings, share capital, share premium, treasury shares, reserves, foreign currency translation adjustments, effect of change in ownership interest of subsidiaries, subordinated perpetual tier 2 bonds, and non-controlling interest.
  - Shareholders' equity amounted to KD 112.4 million in 2018, growing to KD 145.3 million by 2020 mainly from the increase in retained earnings, revaluation reserve, and treasury shares.
  - A higher increase in 2021 was witnessed to KD 364.8 million driven by the introduction of the KD 60.0 million subordinated tier 2 bonds, an increase in non-controlling interest amounting KD 48.3 million, an increase in share premium of KD 47.3 million, increase in retained earnings of KD 41.8 million, and share capital increase of KD 9.8 million.
  - Shareholders' equity grew to KD 364.8 million in 2022 mainly due to the increase in retained earnings.

Other Liabilities (KD million)



Capital Structure (KD million)



Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

Income Statement (IFRS 4)

Income Statement (KD)	2018 (A)	2019 (A)	2020 (A)	2021 (A)	2022 (A)
Premiums written	364,603,854	394,059,184	444,436,705	548,498,000	831,667,000
Reinsurance premiums ceded	(193,452,873)	(211,383,044)	(251,949,863)	(280,648,000)	(328,462,000)
Net Premiums Written	**171,150,981**	**182,676,140**	**192,486,842**	**267,850,000**	**503,205,000**
Movement in unearned premiums reserve	(7,634,132)	(345,093)	641,621	21,362,000	(28,940,000)
Movement in life mathematical reserve	1,518,954	(1,033,654)	(6,095,762)	(5,353,000)	(8,037,000)
Net Premium Earned	**165,035,803**	**181,297,393**	**187,032,701**	**283,859,000**	**466,228,000**
Commission received on ceded reinsurance	17,122,015	17,761,978	19,116,102	20,810,000	44,339,000
Policy issuance fees	3,576,823	3,175,220	2,559,606	2,956,000	3,335,000
Net investment income from designated life & medical insurance	278,611	3,085,361	2,126,043	3,026,000	1,450,000
Net Revenue	**186,013,252**	**205,319,952**	**210,834,452**	**310,651,000**	**515,352,000**
Expenses:					
Claims incurred	(119,118,160)	(128,654,217)	(128,821,526)	(194,464,000)	(319,076,000)
Commission and discounts	(20,637,163)	(22,501,316)	(22,481,240)	(35,959,000)	(63,008,000)
Maturity and cancellations of life insurance policies	(4,132,368)	(5,368,202)	(2,622,449)	(4,118,000)	(2,340,000)
General and administrative expenses	(26,421,782)	(27,155,982)	(28,954,578)	(34,509,000)	(45,360,000)
Net Underwriting Income	**15,703,779**	**21,640,235**	**27,954,659**	**41,601,000**	**85,568,000**
Gain on remeasurement of a former associate from step acquisition	-	-	-	25,787,000	-
Gain on bargain purchase from acquisition of subsidiaries	-	-	-	23,460,000	-
Impairment of goodwill	-	-	-	(3,933,000)	-
Net investment income	10,140,997	10,474,468	12,772,727	24,179,000	30,933,000
Finance costs	(2,921,089)	(3,444,736)	(2,557,778)	(2,566,000)	(3,646,000)
Amortization of intangible assets	-	-	-	(1,437,000)	(4,305,000)
Monetary Loss of hyper inflation	-	-	-	-	(16,690,000)
Net sundry income	3,530,405	2,477,819	2,679,714	6,766,000	7,868,000
Sub-Total	**29,341,211**	**32,682,198**	**40,601,015**	**114,284,000**	**99,728,000**
Unallocated general and administrative expenses	(12,731,399)	(13,457,439)	(16,341,844)	(30,665,000)	(49,651,000)
Profit Before KFAS, NLST, ZAKAT and Directors' Remuneration	**16,609,812**	**19,224,759**	**24,259,171**	**83,619,000**	**50,077,000**
Provision for contribution to KFAS	(122,112)	(110,883)	(300,506)	(293,000)	(480,000)
Provision for National Labor Support Tax (NLST)	(308,404)	(337,570)	(312,767)	(522,000)	(807,000)
Provision for ZAKAT	(98,043)	(102,603)	(130,917)	(161,000)	(261,000)
Directors' remuneration	(185,000)	(185,000)	(185,000)	(185,000)	(185,000)
Taxation from subsidiaries	(1,233,527)	(3,205,904)	(3,236,286)	(5,956,000)	(5,297,000)
Profit for the Year	**14,662,726**	**15,282,799**	**20,093,695**	**76,502,000**	**43,047,000**

Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

Balance Sheet (IFRS 4)

Balance Sheet (KD)	2018 (A)	2019 (A)	2020 (A)	2021 (A)	2022 (A)
Assets					
Property and equipment	29,270,773	35,215,083	36,948,000	47,497,000	49,215,000
Right-of-use assets	-	2,213,395	1,276,000	-	-
Investment in associates	43,269,439	43,437,290	43,451,000	43,297,000	41,655,000
Goodwill	15,104,460	15,104,460	15,104,000	32,706,000	33,233,000
Intangible assets	-	-	-	45,771,000	40,918,000
Investment properties	4,978,330	6,166,079	8,258,000	10,493,000	9,300,000
Financial instruments:					
Investments held to maturity	23,229,055	29,687,204	38,347,000	51,221,000	47,156,000
Debt securities (loans)	16,651,860	13,604,047	15,324,000	10,435,000	15,420,000
Investment available for sale	41,426,526	44,951,045	49,022,000	261,749,000	273,162,000
Investments carried at FV through profit or loss	24,618,304	26,329,719	31,976,000	48,469,000	49,310,000
Loans secured by life insurance policies	1,266,637	1,104,147	866,000	499,000	481,000
Premiums and insurance balances receivable	109,854,177	142,633,886	132,222,000	227,692,000	235,095,000
Reinsurance recoverable on outstanding claims and incurred but not reported	130,968,572	247,320,982	282,416,000	216,638,000	151,897,000
Other assets	28,880,275	28,457,095	31,179,000	70,860,000	112,437,000
Long term deposits	32,678,083	39,280,244	42,982,000	74,373,000	66,196,000
Cash and Cash equivalents	64,943,762	87,661,768	71,338,000	231,601,000	220,529,000
Total Assets	**567,140,253**	**763,166,444**	**800,709,000**	**1,373,301,000**	**1,346,004,000**

Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

Balance Sheet (IFRS 4)

Balance Sheet (KD)	2018 (A)	2019 (A)	2020 (A)	2021 (A)	2022 (A)
Equity					
Share capital	18,703,913	18,703,913	18,704,000	28,457,000	28,457,000
Share premium	3,600,000	3,600,000	3,600,000	50,947,000	50,947,000
Treasury shares	(4,203,067)	(429,455)	(429,000)	(429,000)	(429,000)
Treasury shares reserve	2,051,215	3,099,292	3,099,000	3,099,000	3,099,000
Statutory reserve	18,703,913	18,703,913	18,704,000	23,843,000	27,835,000
Voluntary reserve	26,149,664	27,558,098	29,285,000	34,424,000	38,416,000
Effect of changes in ownership interest of Subsidiaries	-	-	(2,837,000)	(2,837,000)	(2,837,000)
Other reserve	(3,101,138)	(2,836,728)	-	(481,000)	(637,000)
Cumulative changes in fair value reserve	(1,778,260)	1,529,248	3,588,000	1,135,000	(1,825,000)
Foreign currency translation adjustments	(20,903,698)	(19,841,408)	(25,226,000)	(35,433,000)	(47,392,000)
Revaluation reserve	8,939,446	12,241,253	14,907,000	14,667,000	17,738,000
Retained earnings	40,978,391	46,474,233	54,008,000	95,809,000	115,609,000
Equity Attributable Parent Company	**89,140,379**	**108,802,359**	**117,403,000**	**213,201,000**	**228,981,000**
Subordinated perpetual tier 2 bonds	-	-	-	60,000,000	60,000,000
Non-controlling interest	23,282,933	26,044,031	27,928,000	76,310,000	75,832,000
Total Equity	**112,423,312**	**134,846,390**	**145,331,000**	**349,511,000**	**364,813,000**
Liabilities					
Liabilities arising from insurance contracts:					
Outstanding claims reserve and incurred but not reported reserve (gross)	195,390,920	319,935,216	371,219,000	432,931,000	367,059,000
Unearned premiums reserve (net)	59,467,577	59,508,501	56,154,000	167,596,000	196,809,000
Life mathematical reserve (net)	24,507,131	26,370,500	33,044,000	56,161,000	56,572,000
Additional reserve (net)	1,650,000	2,586,940	933,000	2,594,000	2,601,000
Total Liabilities Arising From Insurance Contracts	**281,015,628**	**408,401,157**	**461,350,000**	**659,282,000**	**623,041,000**
Premium received in advance	4,376,713	5,751,229	3,191,000	3,216,000	3,895,000
Insurance payable	75,301,741	125,719,810	127,200,000	178,639,000	191,297,000
Other liabilities	47,349,683	51,379,273	62,331,000	107,169,000	104,881,000
Lease liabilities	-	-	1,306,000	-	-
Term loans	-	35,333,500	-	75,484,000	58,077,000
Bank overdrafts	46,673,176	1,735,085	-	-	-
Total Liabilities	**454,716,941**	**628,320,054**	**655,378,000**	**1,023,790,000**	**981,191,000**
Total Equity and Liabilities	**567,140,253**	**763,166,444**	**800,709,000**	**1,373,301,000**	**1,346,004,000**

Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

Cash Flow Statement (IFRS 4)

Cash Flow Statement (KD)	2018 (A)	2019 (A)	2020 (A)	2021 (A)	2022 (A)
Operating activities					
Profit before taxation and directors' remuneration	**16,609,812**	**19,224,759**	**24,260,000**	**83,619,000**	**50,077,000**
Adjustments for:					
Depreciation of property and equipment and right-of-use assets	2,265,837	2,547,277	3,059,000	2,135,000	3,005,000
Amortization of intangible assets	-	-	-	1,437,000	4,305,000
Net provision for doubtful debts	-	-	-	11,811,000	-
Net investment income	(10,251,170)	(14,560,136)	(15,576,000)	(27,511,000)	(32,757,000)
Impairment losses of financial assets available for sale	2,618,856	1,852,012	1,660,000	647,000	1,536,000
Gain on remeasurement of a former associate from step acquisition	-	-	-	(25,787,000)	-
Gain on bargain purchase from acquisition of subsidiaries	-	-	-	(23,460,000)	-
Impairment of goodwill	-	-	-	3,933,000	-
Share of results from associates	(2,887,119)	(1,534,412)	248,000	(427,000)	(799,000)
Change in fair value of investment properties	(2,867,211)	(754,581)	(868,000)	51,000	(363,000)
Finance costs	2,921,089	3,444,736	2,558,000	2,566,000	3,646,000
Monetary loss from hyperinflation	-	-	-	-	16,690,000
Sub-Total	**8,410,094**	**10,219,655**	**15,341,000**	**29,014,000**	**45,340,000**
Change in operating assets and liabilities:					
Investments carried at fair value through profit or loss	(68,191)	(94,595)	(4,999,000)	(9,803,000)	1,491,000
Premiums and insurance balances receivable	(16,607,048)	(32,779,709)	10,412,000	(19,448,000)	(7,403,000)
Reinsurance recoverable on outstanding claims	(27,665,259)	(116,352,410)	(35,095,000)	95,912,000	64,741,000
Other assets	(3,637,437)	3,351,037	560,000	(21,134,000)	(28,542,000)
Liabilities arising from insurance contracts	48,848,251	127,385,529	52,948,000	(116,043,000)	(41,319,000)
Premiums received in advance	(53,606)	1,374,516	(2,560,000)	(9,837,000)	679,000
Insurance payable	8,572,543	50,418,065	1,481,000	4,305,000	7,203,000
Other liabilities	11,877,260	1,654,900	9,484,000	38,007,000	(24,604,000)
Sub-Total	**29,676,607**	**45,176,988**	**47,572,000**	**(9,027,000)**	**17,586,000**
KFAS paid	(101,026)	(132,861)	(87,000)	(301,000)	(293,000)
NLST paid	(215,764)	(340,333)	(266,000)	(313,000)	(522,000)
Zakat paid	(112,312)	(93,637)	-	(131,000)	(161,000)
Director's remuneration paid	(185,000)	(185,000)	(185,000)	(185,000)	(185,000)
Net Cash Flows From (Used in) Operating Activities	**29,062,505**	**44,425,157**	**47,034,000**	**(9,957,000)**	**16,425,000**

Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

Cash Flow Statement (IFRS 4)

Cash Flow Statement (KD)	2018 (A)	2019 (A)	2020 (A)	2021 (A)	2022 (A)
Investing Activities					
Acquisition of a subsidiaries, net of cash acquired	-	-	-	(966,000)	-
Purchase of property and equipment	(3,073,807)	(4,098,789)	(2,800,000)	(2,920,000)	(5,361,000)
Proceeds from sale of property and equipment	106,424	1,641,246	1,091,000	2,095,000	465,000
Additions on investment properties	-	-	(1,355,000)	(210,000)	-
Addition on investment in associates	-	(125,043)	(791,000)	(36,000)	-
Dividend received from associates	552,578	1,518,891	594,000	524,000	969,000
Movement in investment held to maturity	(3,719,151)	(6,458,149)	(8,659,000)	(1,744,000)	4,065,000
Movement in debt securities (loans)	1,678,129	3,047,813	(1,720,000)	4,889,000	(4,985,000)
Net movement on investments available for sale	(6,315,424)	1,043,244	(626,000)	(5,388,000)	(9,982,000)
Movement in loans secured by life insurance policies	337,398	162,490	238,000	367,000	18,000
Advance towards acquisition of investment	(1,851,524)	(2,511,803)	(506,000)	-	-
Net movement in long term deposits	5,760,828	(6,602,161)	(3,701,000)	(3,156,000)	8,177,000
Interest income received	7,533,810	8,370,390	8,431,000	11,705,000	20,841,000
Dividend income received	1,940,490	1,182,365	780,000	1,280,000	1,894,000
Net Cash Flows from Investing Activities	**2,949,751**	**(2,829,506)**	**(9,024,000)**	**6,440,000**	**16,101,000**
Financing Activities					
Proceeds from issuance of subordinated perpetual Tier 2 bonds	-	-	-	60,000,000	-
Proceeds from issuance of right shares	-	-	-	57,100,000	-
Term loans obtained	-	-	-	125,435,000	-
Term loans paid	-	35,333,500	(35,334,000)	(50,093,000)	(17,407,000)
Proceeds from sale of treasury shares	-	4,821,689	-	-	-
Payment of lease liability	-	(928,385)	(938,000)	(439,000)	-
Dividend paid	(5,370,004)	(6,444,005)	(7,076,000)	(20,146,000)	(9,931,000)
Dividends to non-controlling interests	(662,719)	(465,421)	(819,000)	(929,000)	(3,232,000)
Finance cost paid	(2,921,089)	(3,331,786)	(2,474,000)	(2,566,000)	(3,646,000)
Capital increase in subsidiaries	-	-	-	812,000	(2,700,000)
Acquisition of non-controlling interests	(464,276)	(352,784)	-	-	-
Net Cash Flows (Used in) From Financing Activities	**(9,418,088)**	**28,632,808**	**(46,641,000)**	**169,174,000**	**(36,916,000)**
Foreign currency translation adjustments	(4,523,350)	(2,572,362)	(5,958,000)	(5,394,000)	(6,682,000)
Net (Decrease) Increase in Cash and Cash Equivalents	**18,070,818**	**67,656,097**	**(14,589,000)**	**160,263,000**	**(11,072,000)**
Cash and cash equivalents at beginning of the year	199,768	18,270,586	85,927,000	71,338,000	231,601,000
Cash and Cash Equivalents at End of the Year	**18,270,586**	**85,926,683**	**71,338,000**	**231,601,000**	**220,529,000**

Source: Audited Financial Statements, Management, Markaz Analysis

Historical Financial Analysis

Ratio Analysis

Ratio Analysis	2018 (A)	2019 (A)	2020 (A)	2021 (A)	2022 (A)
Profitability Ratios					
Gross Margin	4.3%	5.5%	6.3%	7.6%	10.3%
EBITDA Margin	8.0%	8.3%	8.4%	17.7%	9.8%
Net Margin	4.0%	3.9%	4.5%	13.9%	5.2%
ROA	4.7%	4.5%	4.4%	8.6%	5.4%
ROE	13.0%	12.4%	14.3%	30.9%	12.1%
Leverage Ratios					
Total Liabilities to Total Assets	80.2%	82.3%	81.8%	74.5%	72.9%
Debt to Equity	41.5%	27.5%	0.9%	21.6%	15.9%
Interest Coverage	7.5x	7.3x	11.7x	35.0x	21.3x
Debt to EBITDA	214.1%	147.0%	4.4%	84.1%	74.7%
Liquidity Ratios					
Current Ratio	1.6x	1.9x	1.8x	2.8x	2.6x
Cash Ratio	0.5x	0.7x	0.5x	1.3x	1.1x
Activity Ratios					
Receivables turnover	3.3x	2.8x	3.4x	2.4x	3.5x
Payables turnover	2.3x	1.5x	1.4x	1.5x	2.2x
Receivable days	110	132	109	152	103
Payable days	161	250	254	242	162
Cash Conversion Cycle	**(51)**	**(118)**	**(145)**	**(91)**	**(59)**

Source: Audited Financial Statements, Management, Markaz Analysis

Financial Projections

Financial Projections

Overview

- In this section, we establish the key assumptions and financial projections for the Company's operations based on historic financial performance, financial analysis and review by Markaz.
- Markaz has also considered assumptions, information, and approved business plan provided by the management of the Company and made the necessary adjustments.
- Forward-looking statements in this document such as "will", "may", "expect", "project" and any other word of similar effect whatsoever are results of the exercise of personal professional judgments. There is no guarantee that such statements would be materialized or even occur and Markaz, or its representative directors, officers, representatives and/or other employees accept no liability whatsoever as a result of such forward looking statement.

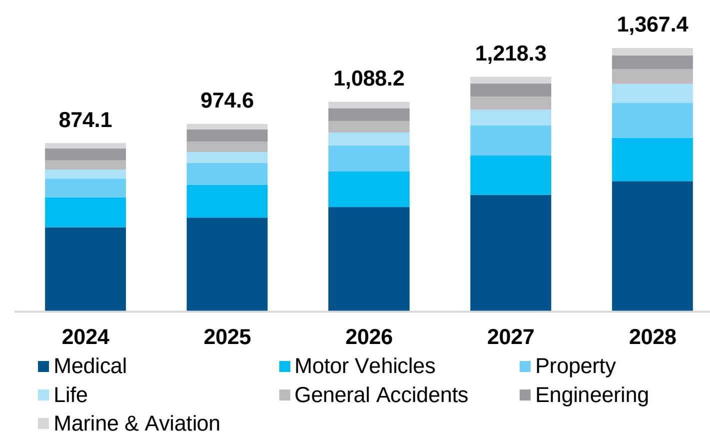
Financial Projections

Key Projected Figures

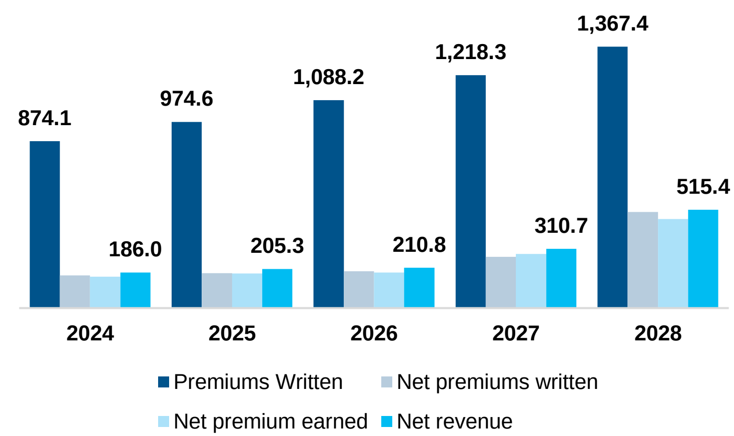
- **Direct Written Premiums:**
  - Gross Written Premiums constitute gross revenue and is projected to grow from KD 874.1 million in 2024 to reach KD 1.4 billion in 2028 with a CAGR of 11.8%.
  - While the Company operates across a wide spectrum of insurance services across multiple segments, the medical segment continued to be projected as the highest contributing component throughout all years, representing 49.5% of the direct premiums written as of 2028 and a growing at a projected CAGR of 11.5%.
  - Although the Life segment is not as significant as the Medical segment, it is expected to have the highest CAGR of 20.4% throughout the projected years.

- **Net Revenues:**
  - Net revenues are net of reinsurance premiums ceded, movement in unearned premiums reserve, movement in life mathematical reserve, commissions received, policy issuance fees, and net investment income from designated life and medical insurance.
  - Net revenues are projected to amount to KD 186.0 million in 2024 and grow to reach KD 515.4 million by 2028, representing a CAGR of 29.0%.

Direct Written Premiums by Segment (KD million)



Net Revenues (KD million)



Source: Markaz Analysis

Financial Projections

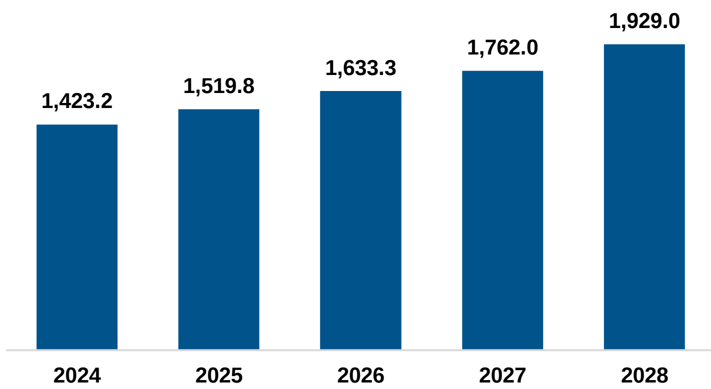
Key Projected Figures

- **Total Assets:**
  - The Company's asset base is expected to grow between 2024-2028 from KD 1,423.2 million to KD 1,929.0 million, reflecting the growth in operations as translated in its key growing elements based on CAGRs: Cash (15.8%), Receivables (10.0%), and financial instruments (ranging from 7.2% to 8.7%).

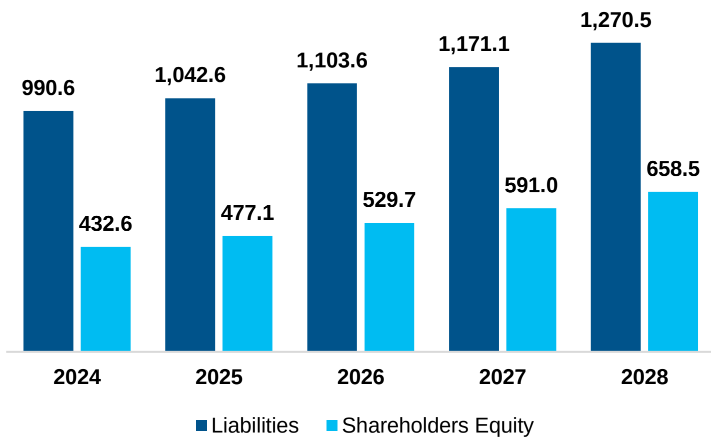
- **Total Liabilities:**
  - Liabilities are mainly composed of outstanding claims and reserves and follow the natural operation cycle in terms of progression across the years.
  - A key element, however, is the complete settlement of term loans by the year 2027 through a balloon principal payment of KD 18.7 million.

- **Shareholders' Equity:**
  - The major component of shareholders' equity is retained earnings, which experiences a steady growth across the projected years with a CAGR of 21.5% due to profitable operations.
  - The second highest element in terms of weightage is the subordinated perpetual tier 2 bonds, which was issued by the Company on November 10th, 2021 (callable after 5 years) and is projected to remain on the Company's books as there is no intentions of calling it throughout the projected period.

Total Assets (KD million)



Capital Structure (KD million)



Source: Markaz Analysis

Financial Projections

Key Assumptions – Income Statement (Revenues)

- The following section sheds light on key events expected to take place mainly during 2024 and impact the growth trajectory of Gross Written Premiums (GWP), which constitutes the gross revenue element for the Company.
- The growth trajectory post 2024 reverts to historical CAGR patterns in absence of external disrupting factors.
- The assumptions are laid out across key subsidiaries of the Company by sector-wise where applicable.

GIG KUWAIT

- GIG Kuwait projections include GIG Kuwait Takaful.
- Marine & Aviation, Motor Vehicles, and General Accidents: projected to grow at a CAGR of 10.1% with 21% y-o-y growth in 2024 to reflect expected increase in the business of these sectors followed by 7.5% growth the following years in-line with historic trends.
- Property, Engineering, and Life: 2024 is line with 2023 whereas 2025 to 2028 assumed 7.5% growth, in-line with historic trends, for an overall CAGR of 6.0%.
- Medical: Assumed 24.0% growth in 2024 driven by Afya (as the policy will begin to include eligible housewives), followed by 6.0% in 2025, followed by 5.0% from 2026 to 2028, reaching 40% expected growth by 2027.

GIG BAHRAIN

- Marine & Aviation: 2024 is in line with 2023 whereas the period from 2025-2028 assumed y-o-y growth of 8.8% reaching a CAGR of 6.9% between 2023-2028.
- Motor Vehicles: 2024 assumed to be in line with 2023. The period from 2025-2028 is assumed to grow by 10.1% in-line with historic CAGR.
- Property: 2024 assumed to be in line with 2023. The period from 2025-2028 is assumed to grow by the historic CAGR of 18.3%.
- Engineering: 5.0% decline in 2024 due to the absence of major projects followed by historic CAGR of 3.3% in the years 2025-2028, reaching overall CAGR of 1.6%.
- General Accidents: 2024 assumed to be in line with 2023. The period from 2025-2028 is assumed to grow by the historic CAGR of 13.5%.
- Life: 2024 assumed to follow 2023. The period from 2025-2028 is assumed to grow by the historic CAGR of 23.9%.
- Medical: Assumed growth of 20.0% in 2024 driven by SEHATI* medical policy, which will be launched in 2024, followed by the historic CAGR of 16.5%.

Source: Management, Markaz Analysis
Note: * SEHATI is national social health insurance system in Bahrain, whereby Bahrainis and domestic workers receive free health coverage from the government. Other expatriate employees are covered by their employers and the services are provided through private insurance companies.

Financial Projections

Key Assumptions – Income Statement (Revenues)

GIG GULF

- Overall growth expected to be above market despite a difficult economic and market context, leveraging transformation programs on core lines of business (Medical and Motor), and other initiatives to differentiate.
- Continued focus on growth of core lines of business in the market i.e., Medical and Motor supplemented by volumes in other lines of business including in more profitable lines such as Marine and Accident.
- Growth in Property and Engineering which have historically led to P&L volatility will be more selective due to large claims. A focus will be growth opportunities (on all lines of business) in the SME segment where there is generally less price sensitivity than large corporates, better retention, and better profitability.
- 2024 is assumed to be broadly in line with 2023, whereas the implied annual growth rates for the period from 2025 to 2028 for key sectors are Life at 23.9%, Property at 18.3%. and Medical at 16.5%.
- As GIG Gulf owns 50% of GIG KSA, overall CAGR for KSA subsidiary is targeted as 5% approximately, targeted CAGR by LOB; Medical 10%, Motor 0.2%, Marine 8%, Property 9%, Engineering 13%, General accidents 2%, and life -2%.

GIG EGYPT

- Marine: More growth is expected in the range of 13%, given the expected economic drivers and currency movement through the covered period.
- Property: In line with the expected economic growth and the company plans for market penetration, expected more growth ranging to 16% in 2024.
- Engineering: Growth ranging to 6% in 2024 based on the assumption that the economic will recover by early 2024.
- General Accident : Expected recovery by early 2024 and an annual growth of 13% given the expected economic drivers.
- Motor: Current year figures have positively been impacted by FX currencies, expected more growth ranging to 10%.
- Medical: Expected growth rate to be in-line with country economic drivers, growth ranging to 17% in 2024.
- As for the period from 2025 to 2028, each of the sectors follow their respective historic CAGR.

Source: Management, Markaz Analysis

Financial Projections

Key Assumptions – Income Statement (Revenues)

GIG JORDAN

- A normal growth in the business over the projected period, with each line growing at a rate slightly higher than the expected market growth rate. As for life insurance, growth rates are relatively higher as the subsidiary expects to finalize the life department and system setup and start underwriting more business.
- The reinsurance structure is expected to remain close to 2023 levels except for the medical line, where the retention is planned to increase from 30% in 2023 to 35% in 2024 and 40% in 2025-2027. This comes in-line with the subsidiary's superset strategy's objective to increase their retained business.

Grand Total Figures

Sectors (KD million)	2022 (A)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
General Risk Insurance:							
Marine & Aviation	25.7	25.8	27.5	29.8	32.3	35.1	38.1
Motor Vehicles	153.8	152.3	154.3	169.2	185.6	203.8	223.7
Property	91.4	96.9	98.3	114.3	133.7	156.5	183.2
Engineering	58.0	61.8	61.6	64.0	66.4	68.9	71.5
General Accidents	49.3	46.9	48.0	53.7	60.3	67.7	76.1
Sub-Total	**378.3**	**383.7**	**389.7**	**430.9**	**478.3**	**531.9**	**592.4**
Life & Medical Insurance:							
Life	51.6	47.0	46.5	55.7	67.0	80.7	97.6
Medical	401.7	417.3	437.9	488.0	542.9	605.6	677.3
Sub-Total	**453.4**	**464.3**	**484.4**	**543.7**	**609.9**	**686.4**	**775.0**
Gross Written Premiums	**831.7**	**848.0**	**874.1**	**974.6**	**1,088.2**	**1,218.3**	**1,367.4**

Source: Management, Markaz Analysis

Financial Projections

Key Assumptions – Income Statement (Other Revenue Elements)

Other Revenue Assumptions (KD million)	Basis	2022 (A)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Gross Written Premiums		**831.7**	**848.0**	**874.1**	**974.6**	**1,088.2**	**1,218.3**	**1,367.4**
Based on Historical Weightage	*% GWP*	*-39.5%*	*-40.0%*	*-40.0%*	*-40.0%*	*-40.0%*	*-40.0%*	*-40.0%*
Reinsurance Premiums Ceded (RPC)		**(328.5)**	**(339.2)**	**(349.7)**	**(389.8)**	**(435.3)**	**(487.3)**	**(547.0)**
Net Premiums Written		**503.2**	**508.8**	**524.5**	**584.8**	**652.9**	**731.0**	**820.4**
Movement in Unearned Premiums Reserve *		(28.9)	(18.8)	(19.2)	(33.5)	(38.4)	(48.3)	(58.0)
Movement in Life Mathematical Reserve *		(8.0)	(7.0)	(6.8)	(7.3)	(8.2)	(9.1)	(10.1)
Net Premiums Earned		**466.2**	**482.9**	**498.5**	**543.9**	**606.3**	**673.6**	**752.3**
Based on Historical Weightage ('20 & '21)	*% RPC*	*13.5%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*
Commission Received on Ceded Reinsurance		**44.3**	**23.7**	**24.5**	**27.3**	**30.5**	**34.1**	**38.3**
Based on Historical Weightage	*% GWP*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*
Policy Issuance Fees		**3.3**	**3.4**	**3.5**	**3.9**	**4.4**	**4.9**	**5.5**
Based on Historical Weightage	*% GWP*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
Net Investment Income from Life & Medical		**1.5**	**1.5**	**1.5**	**1.7**	**1.9**	**2.1**	**2.4**
Total Revenue, Net		**515.4**	**511.6**	**528.0**	**576.8**	**643.0**	**714.7**	**798.5**

Source: Management, Markaz Analysis
Note: * In-line with insights and workings attained from management.

Financial Projections

Key Assumptions – Income Statement (Direct Expenses)

Direct Expenses Assumptions (KD million)	Basis	2022 (A)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Total Revenue, Net		**515.4**	**511.6**	**528.0**	**576.8**	**643.0**	**714.7**	**798.5**
Based on Historical Weightage	*% GWP*	*38.4%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
Claims Incurred		**319.1**	**322.2**	**332.2**	**370.3**	**413.5**	**462.9**	**519.6**
Based on Historical Weightage	*% GWP*	*7.6%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*
Commission and Discounts		**63.0**	**67.8**	**69.9**	**78.0**	**87.1**	**97.5**	**109.4**
Trend Explained Below (1)	*Growth %*	*-43.2%*	*139.5%*	*0.8%*	*-72.0%*	*2.5%*	*3.8%*	*3.2%*
Maturity and Cancellations of Life Insurance Policies		**2.3**	**5.6**	**5.6**	**1.6**	**1.6**	**1.7**	**1.7**
Based on Historical Growth (2)	*Growth %*	*31.4%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*
General and Administrative Expenses		**45.4**	**48.5**	**51.9**	**55.6**	**59.5**	**63.6**	**68.1**
Total Direct Expenses		**429.8**	**444.2**	**459.7**	**505.5**	**561.6**	**625.7**	**698.8**
Net Underwriting Income		**85.6**	**67.3**	**68.3**	**71.4**	**81.4**	**89.0**	**99.7**

1. The maturity and cancellation expense in years 2023 and 2024 is expected to experience abnormal surge due to maturing policies compounded by the shifting of clients between insurance products driven by marketing campaigns undertaken by the Client.
2. G&A expenses growth rates follow the normalized range based on historical rates excluding 2021 and 2022 due to the influence by the acquisition.

Source: Management, Markaz Analysis

Financial Projections

Key Assumptions – Income Statement (Other Expenses)

- **Amortization (Intangible Assets)**
  - Intangible assets comprise of distribution networks, customer relationships, and indefinite insurance life license.
  - The total of the above is amortized in-line with their remaining useful life of ~10 years, which translates to KD 4.2 million in annual amortization expense.
- **Monetary Loss of Hyper Inflation**
  - This element is projected to occur in 2024 with an amount of KD 4.8 million and ceases to exist in subsequent years. It reflects the Company's subsidiary "Gulf Sigorta A.S." located in Turkey, which has been classified as hyper inflation economy.
- **Net Sundry Income**
  - The major underlying sundry income is mostly related to net position of Takaful shareholders revenues and expenses. Its positive impact stands at an annual average of KD 13.8 million throughout the projected period 2024-2028.
- **Unallocated General and Administrative Expenses**
  - These are expenses that are not linked to a specific revenue segment per se but are nonetheless incurred and are projected to grow at 10.0% gradually stabilizing at 6.0% in-line with its normalized historic growth rate.
- **Taxation**
  - The following are the underlying components with their respective applied rates to the taxable profit:
    - KFAS — 1.0%
    - NLST — 2.5%
    - Zakat — 1.0%
    - Taxation from subsidiaries — 11.0% (in-line with historic rates)
    - BOD remuneration — maintained at KD 185 thousand (in-line with historic distributions)

Source: Management, Markaz Analysis

Financial Projections

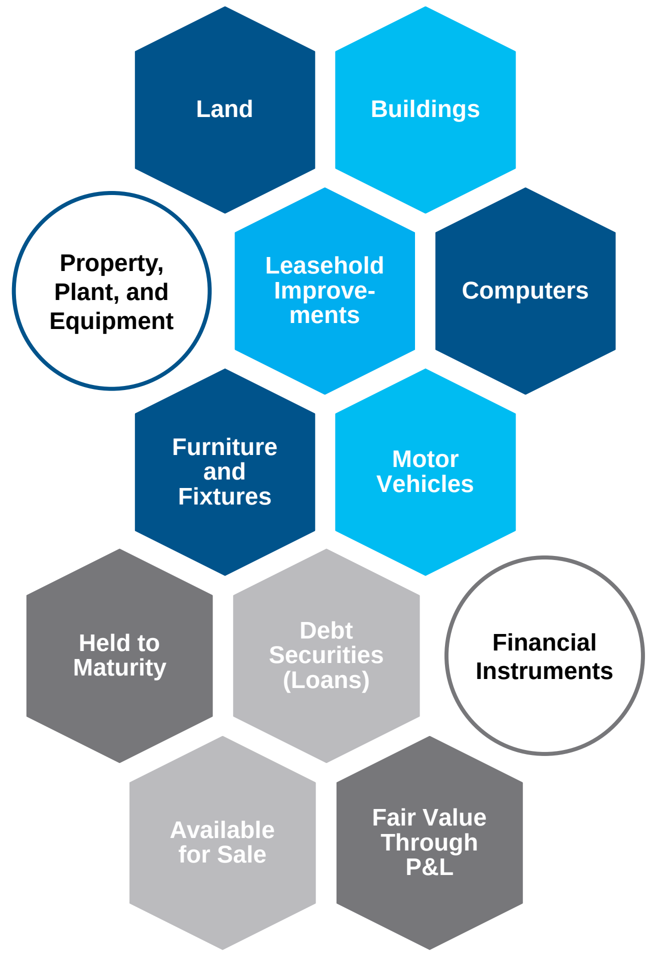
Key Assumptions – Balance Sheet

FIXED ASSETS

- Based on discussions with the Company's management and further analysis, the PP&E schedule was built on the premise of maintaining fixed asset levels to sustain operations.
- With capital expenditures projected to average KD ~6.0 million annually and average depreciation charges expected at KD ~6.4 million annually, PP&E would not witness significant changes throughout the projected period from 2024 to 2028.

FINANCIAL INSTRUMENTS

- The Company holds a sizeable investments portfolio that comprises of the adjacently presented elements, which stood at a total of KD 385.0 million as of 31 December 2022.
- As investments play a major role in the operation of the Company, projections have included a rather sustainable allocation of cash from its business towards increasing the investments' portfolio with an average of KD 35.2 million, annually.
- It is noteworthy to highlight that HTM investments are expected to generate 5.5% in interest income, AFS investments to generate 5.0% in interest income, and lastly FVAPL to generate 1.2%, annually.
- In addition, as FVAPL are shorter term in nature compared to other elements, a portion of them are expected to be exited with capital gains return approximating an average of 6.5%, annually.



Source: Markaz Analysis

Financial Projections

Key Assumptions – Balance Sheet

Account	Assumptions Description
Working Capital	▪ <u>Insurance and Reinsurance Receivable</u>**:** Projected using a Days Sales Outstanding (DSO) of 103 days in-line with 2022. ▪ <u>Insurance Payable:</u> Projected using a Days Payable Outstanding (DPO) of 167 days in-line with 2022 with gradual shortening in settlement cycle to reach DPO of 150 days. ▪ <u>Inventory:</u> The Company has no material operational inventory on books.
Liabilities Arising from Insurance Contracts	▪ The overall insurance operations of the Company give rise to multiple liability accounts that interact together to account of incurred expenses, paid portion of incurred expenses, recoverable portion from reinsurance, and actual collection (recovered) from reinsurance. The relationship cycle among these accounts were held in-line with historical trends. Key accounts include: ○ Outstanding Claims and Incurred But Not Reported ○ Reinsurance Recoverable ○ Insurance-Related Reserves
Other Assets and Liabilities	▪ Other assets and liabilities comprise mostly of non-operational elements such as deferred acquisition cost, pre-paid expenses, Qard hassan, miscellaneous credit balances, accrued expenses, etc. ▪ Both accounts have been maintained as-is throughout the projected period.
Term Loans	▪ The Company has an outstanding term loan of KD 58.1 million as of 31 December 2022. The Company will follow a repayment plan to settle off the entire balance by the end of year 2027. The plan includes a balloon principal payment of KD 18.7 million in 2027 while other years 2024-2026 have an average repayment of KD 11.5 million. ▪ The loan bears an interest rate of 1.25% above CBK rate, which is kept at 4.25% for an all-in rate of 5.50%.
Tier 2 Bonds	▪ The subordinated perpetual tier 2 bond is callable after 5 years from the date of issuance, but it has been assumed to remain on the Company's books as no indication has been attained from the Client to reflect its intention for calling it. ▪ The bond is divided into two equal tranches i.e. variable and fixed. The fixed tranche has an interest rate of 4.50% while the variable tranche has an interest rate of 1.25% above CBK rate and capped at 1.0% above the fixed rate (5.50%).

Source: Markaz Analysis

Financial Projections

Income Statement (IFRS 4)

Income Statement (KD)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Revenue						
Premiums written	848,013,629	874,147,893	974,594,771	1,088,172,435	1,218,265,268	1,367,409,120
Reinsurance premiums ceded	(339,205,452)	(349,659,157)	(389,837,909)	(435,268,974)	(487,306,107)	(546,963,648)
Net Premiums Written	**508,808,178**	**524,488,736**	**584,756,863**	**652,903,461**	**730,959,161**	**820,445,472**
Movement in unearned premiums reserve	(18,846,518)	(19,238,140)	(33,486,387)	(38,397,316)	(48,294,055)	(57,997,111)
Movement in life mathematical reserve	(7,015,459)	(6,799,874)	(7,329,970)	(8,244,757)	(9,077,677)	(10,102,083)
Net Premium Earned	**482,946,201**	**498,450,721**	**543,940,505**	**606,261,388**	**673,587,429**	**752,346,278**
Commission received on ceded reinsurance	23,744,382	24,476,141	27,288,654	30,468,828	34,111,427	38,287,455
Policy issuance fees	3,400,550	3,505,349	3,908,143	4,363,592	4,885,266	5,483,336
Net investment income from designated life and medical insurance	1,478,500	1,524,065	1,699,193	1,897,214	2,124,029	2,384,059
Net Revenue	**511,569,633**	**527,956,277**	**576,836,495**	**642,991,022**	**714,708,152**	**798,501,128**
Expenses						
Claims incurred	(322,245,179)	(332,176,199)	(370,346,013)	(413,505,525)	(462,940,802)	(519,615,466)
Commission and discounts	(67,841,090)	(69,931,831)	(77,967,582)	(87,053,795)	(97,461,221)	(109,392,730)
Maturity and cancellations of life insurance policies	(5,603,822)	(5,647,455)	(1,581,608)	(1,621,063)	(1,682,849)	(1,735,875)
General and adminstrative expenses	(48,535,200)	(51,932,664)	(55,567,950)	(59,457,707)	(63,619,747)	(68,073,129)
Total Expenses	**(444,225,292)**	**(459,688,150)**	**(505,463,153)**	**(561,638,090)**	**(625,704,619)**	**(698,817,199)**
Net Underwriting Income	**67,344,341**	**68,268,127**	**71,373,341**	**81,352,931**	**89,003,533**	**99,683,929**

Source: Markaz Analysis

Financial Projections

Income Statement (Cont'd) (IFRS 4)

Income Statement (KD)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Net investment income	37,489,295	45,264,266	46,729,316	50,079,775	54,398,890	54,528,586
Finance costs	(6,615,011)	(7,516,890)	(6,669,141)	(6,224,486)	(5,801,189)	(4,773,954)
Amortization of intangible assets	(4,233,439)	(4,233,439)	(4,233,439)	(4,233,439)	(4,233,439)	(4,233,439)
Monetary Loss of hyper inflation	(2,372,876)	(4,757,590)	-	-	-	-
Net sundry income	6,027,459	13,792,794	14,094,567	14,959,546	17,142,870	17,142,870
Sub-Total	**97,639,770**	**110,817,269**	**121,294,645**	**135,934,326**	**150,510,664**	**162,347,992**
Unallocated G&A expenses	(54,616,100)	(60,077,710)	(64,883,927)	(70,074,641)	(74,279,119)	(78,735,867)
Profit for the Year Before Taxes	**43,023,670**	**50,739,559**	**56,410,718**	**65,859,685**	**76,231,545**	**83,612,125**
Contribution to KFAS	(387,213)	(456,656)	(507,696)	(592,737)	(686,084)	(752,509)
Contribution to NLST	(1,075,592)	(1,268,489)	(1,410,268)	(1,646,492)	(1,905,789)	(2,090,303)
Contribution to ZAKAT	(430,237)	(507,396)	(564,107)	(658,597)	(762,315)	(836,121)
Directors' remuneration	(185,000)	(185,000)	(185,000)	(185,000)	(185,000)	(185,000)
Taxation from subsidiaries	(9,895,444)	(5,581,351)	(6,205,179)	(7,244,565)	(8,385,470)	(9,197,334)
Profit for the Year	**31,050,184**	**42,740,667**	**47,538,467**	**55,532,294**	**64,306,887**	**70,550,858**

Source: Markaz Analysis

Financial Projections

Balance Sheet (IFRS 4)

Balance Sheet (KD)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Assets						
Property and equipment	49,267,766	50,321,475	49,436,263	47,985,209	46,812,301	45,483,917
Investment in associates	34,277,174	34,933,700	35,684,010	36,531,214	37,487,775	38,574,033
Goodwill	33,233,000	33,233,000	33,233,000	33,233,000	33,233,000	33,233,000
Intangible assets	36,684,561	32,451,122	28,217,682	23,984,243	19,750,804	15,517,365
Investment properties	9,286,775	9,283,222	9,279,668	9,276,115	9,272,561	9,269,007
Financial instruments:						
Investments held to maturity	105,988,124	114,150,488	122,248,437	131,992,487	141,171,153	150,349,818
Debt securities (loans)	13,920,000	13,920,000	13,920,000	13,920,000	13,920,000	13,920,000
Investment available for sale	275,855,553	297,110,666	319,772,030	344,406,940	372,564,721	400,722,501
Investments carried at fair value through profit or loss	81,177,266	81,791,621	89,930,257	100,309,575	111,724,335	123,139,095
Loans secured by life insurance policies	481,000	481,000	481,000	481,000	481,000	481,000
Insurance and reinsurances balances receivable	239,715,853	247,103,467	275,497,715	307,603,763	344,378,307	386,538,178
Reinsurance recoverable	126,487,588	131,725,511	136,568,300	140,539,781	144,402,860	147,853,126
Other assets	112,437,000	112,437,000	112,437,000	112,437,000	112,437,000	112,437,000
Long term deposits	74,978,534	74,978,534	74,978,534	74,978,534	74,978,534	74,978,534
Cash and cash equivalents	181,118,829	189,267,385	218,108,390	255,599,989	299,421,404	376,502,914
Total Assets	**1,374,909,024**	**1,423,188,189**	**1,519,792,285**	**1,633,278,851**	**1,762,035,754**	**1,928,999,489**

Source: Markaz Analysis

Financial Projections

Balance Sheet (Cont'd) (IFRS 4)

Balance Sheet (KD)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Equity and Liabilities						
Equity						
Share capital	28,457,000	28,457,000	28,457,000	28,457,000	28,457,000	28,457,000
Share premium	50,947,000	50,947,000	50,947,000	50,947,000	50,947,000	50,947,000
Treasury shares	(429,000)	(429,000)	(429,000)	(429,000)	(429,000)	(429,000)
Treasury shares reserve	3,099,000	3,099,000	3,099,000	3,099,000	3,099,000	3,099,000
Statutory reserve	30,589,102	34,380,130	38,596,716	39,702,000	39,702,000	39,702,000
Voluntary reserve	39,702,000	39,702,000	39,702,000	39,702,000	39,702,000	39,702,000
Effect of changes in ownership interest of subsidiaries	(2,837,000)	(2,837,000)	(2,837,000)	(2,837,000)	(2,837,000)	(2,837,000)
Other reserve	(637,000)	(637,000)	(637,000)	(637,000)	(637,000)	(637,000)
Cumulative changes in fair value reserve	(1,825,000)	(1,825,000)	(1,825,000)	(1,825,000)	(1,825,000)	(1,825,000)
Foreign currency translation adjustments	(47,392,000)	(47,392,000)	(47,392,000)	(47,392,000)	(47,392,000)	(47,392,000)
Revaluation reserve	17,738,000	17,738,000	17,738,000	17,738,000	17,738,000	17,738,000
Retained earnings	136,109,915	167,229,173	202,178,447	247,329,419	301,368,598	360,946,080
Equity Attributable Parent Company	**253,522,017**	**288,432,304**	**327,598,163**	**373,854,419**	**427,893,598**	**487,471,080**
Subordinated perpetual tier 2 bonds	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Non-controlling interest	79,341,168	84,171,547	89,544,155	95,820,193	103,087,900	111,061,277
Total Equity	**392,863,184**	**432,603,851**	**477,142,318**	**529,674,612**	**590,981,499**	**658,532,357**

Source: Markaz Analysis

Financial Projections

Balance Sheet (Cont'd) (IFRS 4)

Balance Sheet (KD)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Liabilities						
Liabilities arising from insurance contracts:						
Outstanding claims reserve (gross)	340,147,248	345,099,494	351,715,590	357,667,036	363,746,787	369,685,098
Unearned premiums reserve (net)	210,548,312	220,715,369	254,201,756	292,599,072	340,893,127	398,890,238
Life mathematical reserve (net)	61,907,098	63,558,316	71,001,771	79,361,487	88,555,273	98,774,800
Additional reserve (net)	2,920,758	3,069,062	3,268,777	3,489,003	3,728,320	3,990,293
Total Liabilities Arising From Insurance Contracts	**615,523,417**	**632,442,242**	**680,187,894**	**733,116,598**	**796,923,507**	**871,340,430**
Premium received in advance	3,895,000	3,895,000	3,895,000	3,895,000	3,895,000	3,895,000
Insurance payable	203,810,102	204,607,347	220,827,324	240,752,892	263,072,999	288,068,953
Other liabilities	105,640,320	107,162,749	107,162,749	107,162,749	107,162,749	107,162,749
Term loans	53,177,000	42,477,000	30,577,000	18,677,000	-	-
Total Liabilities	**982,045,839**	**990,584,338**	**1,042,649,967**	**1,103,604,239**	**1,171,054,255**	**1,270,467,132**
Total Equity and Liabilities	**1,374,909,024**	**1,423,188,189**	**1,519,792,285**	**1,633,278,851**	**1,762,035,754**	**1,928,999,489**

Source: Markaz Analysis

Financial Projections

Cash Flow Statement (IFRS 4)

Cash Flow Statement (KD)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Operating Activities						
Profit before taxation and directors' remuneration	43,023,670	50,739,559	56,410,718	65,859,685	76,231,545	83,612,125
Adjustments for:						
Depreciation of property and equipment and ROU	5,915,397	5,929,993	6,413,438	6,651,183	6,921,541	7,190,494
Amortization of intangible assets	4,233,439	4,233,439	4,233,439	4,233,439	4,233,439	4,233,439
Net investment income	(38,230,358)	(46,028,168)	(47,580,996)	(51,030,708)	(55,463,509)	(55,723,539)
Share of results from associates	(737,437)	(760,164)	(847,513)	(946,281)	(1,059,410)	(1,189,106)
Finance costs	6,615,011	7,516,890	6,669,141	6,224,486	5,801,189	4,773,954
Monetary loss from hyperinflation	2,372,876	4,757,590	-	-	-	-
Sub-Total	**23,192,597**	**26,389,139**	**25,298,227**	**30,991,805**	**36,664,795**	**42,897,367**
Change in operating assets and liabilities:						
Investments carried at fair value through profit or loss	(28,416,991)	5,068,321	(2,288,304)	(3,702,876)	(3,795,644)	(3,795,644)
Premiums and insurance balances receivable	(4,620,853)	(7,387,614)	(28,394,248)	(32,106,048)	(36,774,544)	(42,159,872)
Liabilities arising from insurance contracts	18,003,590	10,321,958	42,902,863	48,957,222	59,943,831	70,966,657
Insurance payable	12,513,102	797,245	16,219,977	19,925,568	22,320,107	24,995,955
Sub-Total	**20,671,444**	**35,189,049**	**53,738,516**	**64,065,672**	**78,358,546**	**92,904,463**
KFAS Paid	(387,213)	(456,656)	(507,696)	(592,737)	(686,084)	(752,509)
NLST Paid	(1,075,592)	(1,268,489)	(1,410,268)	(1,646,492)	(1,905,789)	(2,090,303)
Zakat paid	(430,237)	(507,396)	(564,107)	(658,597)	(762,315)	(836,121)
Director's remuneration paid	(185,000)	(185,000)	(185,000)	(185,000)	(185,000)	(185,000)
Taxation from subsidiaries	(9,895,444)	(5,581,351)	(6,205,179)	(7,244,565)	(8,385,470)	(9,197,334)
Net Cash Flows From (Used in) Operating Activities	**8,697,959**	**27,190,157**	**44,866,265**	**53,738,280**	**66,433,888**	**79,843,196**

Source: Markaz Analysis

Financial Projections

Cash Flow Statement (Cont'd) (IFRS 4)

Cash Flow Statement (KD)	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Investing Activities						
Purchase of property and equipment	(5,968,163)	(6,983,702)	(5,528,226)	(5,200,129)	(5,748,633)	(5,862,110)
Additions on investment properties	1,699,283	400,768	399,082	397,397	395,713	395,713
Dividend received from associates	234,393	103,638	97,203	99,076	102,849	102,849
Movement in investment held to maturity	(58,790,628)	(8,162,364)	(8,097,950)	(9,744,050)	(9,178,666)	(9,178,666)
Net movement on investments available for sale	(2,257,260)	(20,933,467)	(22,334,434)	(24,303,003)	(27,824,619)	(27,824,619)
Net investment income from designated life and medical insurance	1,478,500	1,524,065	1,699,193	1,897,214	2,124,029	2,384,059
Interest income received	29,944,992	36,136,277	36,856,976	38,779,016	41,360,588	41,360,588
Dividend income received	3,972,648	3,836,711	3,989,965	4,360,383	4,816,146	4,816,146
Other investments results	(2,181,569)	(1,870,420)	(1,537,929)	(1,408,097)	(1,181,691)	(1,181,691)
Net Cash Flows From Investing Activities	**(31,867,803)**	**4,051,506**	**5,543,880**	**4,877,806**	**4,865,715**	**5,012,268**
Financing Activities						
Term loans paid	(4,900,000)	(10,700,000)	(11,900,000)	(11,900,000)	(18,677,000)	-
Dividend paid	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Finance cost paid	(6,615,011)	(7,516,890)	(6,669,141)	(6,224,486)	(5,801,189)	(4,773,954)
Net Cash Flows (Used in) From Financing Activities	**(14,515,011)**	**(21,216,890)**	**(21,569,141)**	**(21,124,486)**	**(27,478,189)**	**(7,773,954)**
Foreign currency translation adjustments	(1,725,316)	(1,876,217)	-	-	-	-
Net (Decrease) Increase in Cash and Cash Equivalents	**(39,410,171)**	**8,148,556**	**28,841,005**	**37,491,600**	**43,821,414**	**77,081,510**
Cash and cash equivalents at beginning of the year	220,529,000	181,118,829	189,267,385	218,108,390	255,599,989	299,421,404
Cash and Cash Equivalents at End of the Year	**181,118,829**	**189,267,385**	**218,108,390**	**255,599,989**	**299,421,404**	**376,502,914**

Source: Markaz Analysis

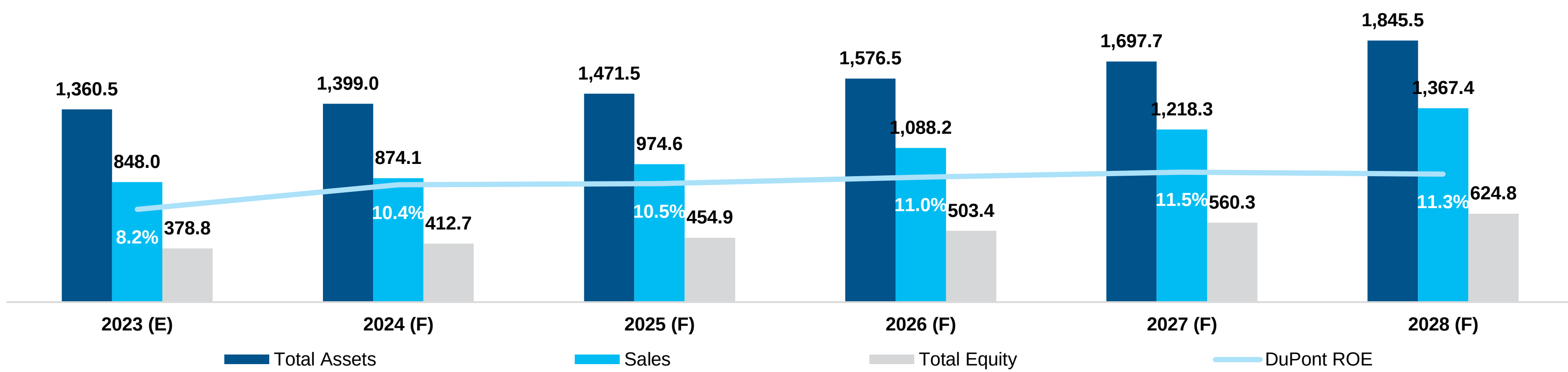
Financial Projections

Ratio Analysis

Ratio Analysis	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Profitability Ratios						
Gross Margin	8%	8%	7%	7%	7%	7%
EBITDA Margin	7%	8%	8%	8%	8%	7%
Net Margin	4%	5%	5%	5%	5%	5%
ROA	4%	5%	4%	5%	5%	5%
ROE	8%	10%	10%	11%	11%	11%
Leverage Ratios						
Total Liabilities to Total Assets	71%	70%	69%	68%	66%	66%
Debt to Equity	14%	10%	6%	4%	0%	0%
Interest Coverage	9.4x	9.7x	11.1x	13.3x	16.1x	20.9x
Debt to EBITDA	86%	58%	41%	23%	0%	0%
Liquidity Ratios						
Current Ratio	2.4x	2.5x	2.6x	2.7x	2.8x	3.0x
Cash Ratio	0.9x	0.9x	1.0x	1.0x	1.1x	1.3x
Activity Ratios						
Receivables turnover	3.5x	3.5x	3.5x	3.5x	3.5x	3.5x
Payables turnover	2.2x	2.2x	2.3x	2.3x	2.4x	2.4x
Receivable days	103	103	103	103	103	103
Payable days	167	162	159	156	153	150
Cash Conversion Cycle	**(64)**	**(59)**	**(56)**	**(53)**	**(50)**	**(47)**

Source: Markaz Analysis

DuPont Analysis (KD million)



DuPont	2023 (E)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Net margin	3.7%	4.9%	4.9%	5.1%	5.3%	5.2%
Asset turnover	0.6x	0.6x	0.7x	0.7x	0.7x	0.7x
Equity multiplier	3.6x	3.4x	3.2x	3.1x	3.0x	3.0x
ROE	**8.2%**	**10.4%**	**10.5%**	**11.0%**	**11.5%**	**11.3%**

- DuPont analysis highlights sources of added / diminished value to the return on equity for shareholders.
- It is arrived at through multiplication of the above three ratios.

Valuation

Valuation

Summary of Methodologies

- **Valuation:**

Fair Market Value of the Company

50% **Discounted Cash Flow**

50% **Relative Valuation**

- We used the weighted average of different valuation methods to arrive at the fair market value of The Company, whereby:
  - **Discounted Cash Flow to the Firm:** The Company was valued based on the projected free cash flow to the firm based on information provided by the management of the Company, review of historic financial performance, financial analysis and revisions by Markaz.
  - **Relative Valuation:** We used several price multiples to compare the Company with local and regional peers and have also considered adjustments for size and liquidity.
    - Enterprise Value-to-EBITDA
    - Price-to-Earnings
    - Price-to-Book

Source: Markaz Analysis

Valuation

Valuation Summary

- **Valuation:** Based on our analysis, the Company's estimated fair market value for a 100% stake is as follows:

Methodology	Equity Value (KD)	Per Share (KD)	Weightage (%)
Discounted Cash Flow	821,447,296	2.89	50%
Relative Valuation	453,140,487	1.60	50%
Weighted Average	**637,293,892**	**2.25**	**100%**

Implied Multiples	2023 (E)
EV to EBITDA	7.5x
P/E	20.5x
P/BV	1.6x

- **Equity Value Sensitivity:** WACC and perpetual growth rate (DCF):

WACC

Growth Rate / Per Share (KD)	11.18%	12.18%	13.18%	14.18%	15.18%
0.50%	3.22	2.97	2.76	2.58	2.43
1.00%	3.32	3.05	2.82	2.63	2.47
1.50%	3.43	3.14	**2.89**	2.69	2.52
2.00%	3.55	3.23	2.97	2.75	2.57
2.50%	3.68	3.34	3.05	2.82	2.63

Source: Markaz Analysis
Note: Please carefully read the caveats and limiting conditions in Appendix I.

Valuation

Discounted Cash Flow

DCF Valuation (As of 31 Dec 2023 – Figures in KD)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)
Net Income	**42,740,667**	**47,538,467**	**55,532,294**	**64,306,887**	**70,550,858**
Adjustments:					
D&A	10,163,432	10,646,877	10,884,622	11,154,980	11,423,933
Share of results from associate	(760,164)	(847,513)	(946,281)	(1,059,410)	(1,189,106)
Monetary loss from hyperinflation	4,757,590	-	-	-	-
Finance Costs	7,516,890	6,669,141	6,224,486	5,801,189	4,773,954
Working Capital	3,731,589	30,728,593	36,776,742	45,489,394	53,802,740
Forex	(1,876,217)	-	-	-	-
Capex	(6,983,702)	(5,528,226)	(5,200,129)	(5,748,633)	(5,862,110)
Cash outflow towards Investments	(24,027,510)	(32,720,688)	(37,749,929)	(40,798,928)	(40,798,928)
FCFF	**35,262,575**	**56,486,652**	**65,521,806**	**79,145,479**	**92,701,340**
Terminal Value	-	-	-	-	805,652,509
FCFF + TV	**35,262,575**	**56,486,652**	**65,521,806**	**79,145,479**	**898,353,849**
DCF	**31,156,475**	**44,097,545**	**45,194,827**	**48,235,109**	**483,747,658**

Enterprise Value	**652,431,613**
Add:	
Cash	181,118,829
Investment in Associate	34,277,174
Other Assets	112,437,000
Total Adjustments	**327,833,003**
Adjusted Enterprise Value	**980,264,617**
Subtract:	
Debt	(53,177,000)
Other Liabilities	(105,640,320)
Fair Value of Equity (100%)	**821,447,296**
Fair Value of Equity (100%) Per Share	**2,895**

Terminal value is based on a WACC of 13.18% and a terminal growth rate of 1.50% applied to 2028 projected cash flow, resulting in a terminal value of KD 805.7 million.

Source: Markaz Analysis
Note: Please carefully read the caveats and limiting conditions in Appendix I and Appendix II for WACC calculation.

- **Relative Valuation:**
  - We used several multiples to estimate the fair market value of the Company based upon the comparable listed companies with similar risk, growth and performance characteristics.

Relative Valuation (KD)	Metrics (2023)	Multiple	EV	Add: Cash	Less: Debt	Adjustments	Adjusted Equity Value	Per Share	Weight (%)
Enterprise Value to EBITDA	62,160,393	6.4x	397,991,354	181,118,829	(53,177,000)	41,073,854	567,007,037	2.00	30.0%
Price-to-Earnings	31,050,184	13.5x					417,917,697	1.47	30.0%
Price-to-Book	392,863,184	1.0x					394,157,669	1.39	40.0%
Weighted Average							**453,140,487**	**1.60**	**100%**

  - The Company's fair market value is estimated **at KD 453.1 million** based on the relative valuation methodology.

Source: Markaz Analysis
Note: Please see Appendix III for details about selected comparable companies.

Appendices

Appendix I

Caveats & Limiting Conditions

- The fair market value of the Company is based on the discounted cash flow method and relative valuation methodology.
- Markaz did not take into consideration any unanticipated changes in the industry or rules and regulations that could have a material impact on the operations and valuation of Company.
- The valuation exercise is conducted on an "as is" basis.
- Markaz selected publicly listed companies that operate in the insurance sector for the relative valuation methodology which may include companies that provide other services in addition to the insurance services provided. As such, the selected comparable companies may not accurately reflect the valuation of the Company due to the different economic circumstances, market environment and risk factors faced by each company.
- Markaz did not conduct an independent financial or legal due diligence of the Company, findings of which may materially impact values.
- Markaz relied on audited financial statements and information provided by the management of the Company. While all care has been taken to ensure that the facts stated are accurate and the opinions given are reasonable, neither Markaz nor any of its employees, agents, representatives, or consultants shall be in any way responsible for the contents of this document.
- Markaz did not conduct an independent review nor impairment testing of the Company's accounts receivable and inventory balance.
- Any forward-looking statements in this document such as "will", "may", "expect", "project" and any other word of similar effect whatsoever are results of the exercise of personal professional judgments. There is no guarantee that such statements would be materialized or even occur and Markaz, or its representative directors, officers, representatives and/or other employees accept no liability whatsoever as a result of such forward looking statement. Therefore, recipients should not rely on such forward-looking statements.

Appendix II
Discount Rate Calculation

- The discount rate applied was calculated as follows:

Cost of Equity	Explanation	Value
Estimate of long-term risk-free rate (RF)	Yield on 10-year USD denominated bond issued in 2017 by State of Kuwait	4.12%
Market Risk Premium (RM)	Aswath Damodaran Analysis and Markaz Analysis	6.07%
Levered Beta (B)	Aswath Damodaran – Insurance (General) Levered based on 2023 Capital Structure	1.17
Company Specific Risk Premium (α)	Markaz Analysis	3.00%
Cost of Equity (Ke)	**RF + (RM * B) + α**	**14.22%**
Cost of Debt	CBK + 1.25%	5.50%
Tax Rate	Considered Nil	0.0%
Cost of Debt (Kd)	**Rd * (1-Tc)**	**5.50%**
Weight of Equity	Based on 2023 Capital Structure	88.0%
Weight of Debt	Based on 2023 Capital Structure	12.0%
Weighted Average Cost of Capital (WACC)	**(Ke * We) + (Kd * Wd)**	**13.18%**

Source: Aswath Damodaran Publications, Markaz Analysis

Appendix III
Comparable Companies

- **Comparable Companies**: Below are the metrics for the comparable companies selected for relative valuation purposes.

Company	Exchange:Ticker	Location	Market Capitalization (USD million)	Price / Earnings	Price / Book Value	EV / EBITDA
Abu Dhabi National Insurance Company PJSC	ADX:ADNIC	UAE	919	13.1x	1.2x	5.7x
Al-Ahleia Insurance Company S.A.K.P.	KWSE:AINS	KWT	426	11.9x	1.0x	6.5x
Arabian Shield Cooperative Insurance Company	SASE:8070	KSA	305	19.9x	0.9x	6.2x
Doha Insurance Group Q.P.S.C.	DSM:DOHI	QTR	323	12.4x	1.0x	6.6x
Kuwait Reinsurance Company K.S.C.P.	KWSE:KUWAITRE	KWT	330	17.1x	1.3x	9.8x
Oman Insurance Company P.S.C.	DFM:OIC	UAE	478	13.8x	0.6x	7.4x
Qatar Islamic Insurance Group Q.P.S.C.	DSM:QISI	QTR	370	16.3x	2.8x	6.3x
Kuwait Insurance Company S.A.K.P.	KWSE:KINS	KWT	276	3.3x	0.6x	1.2x
Warba Insurance and Reinsurance Company (K.S.C.P.)	KWSE:WINSRE	KWT	78	9.5x	0.7x	5.7x
Walaa Cooperative Insurance Company	SASE:8060	KSA	427	26.4x	1.3x	10.2x
Median			**350**	**13.5x**	**1.0x**	**6.4x**

Source: Capital IQ, Markaz Analysis

Appendix III
Comparable Companies

- **Comparable Companies**: Below lays a brief overview of each of the comparable companies selected for relative valuation purposes.

Company	Overview
Abu Dhabi National Insurance Company PJSC	Abu Dhabi National Insurance Company PJSC provides various insurance and reinsurance products in the United Arab Emirates and internationally. It operates through two segments: Underwriting of Commercial Lines of Business and Underwriting of Consumer Line of Business. The company offers various personal insurance products, such as motor, medical, home, travel, personal watercraft, life, personal accident, and wedding insurance products; and corporate insurance products, including aviation, engineering and construction, energy, financial lines, group medical and life, liabilities, marine cargo, marine hull, marine cargo, motor fleet, property, and travel insurance products. It also provides affinity programs. Abu Dhabi National Insurance Company PJSC was incorporated in 1972 and is headquartered in Abu Dhabi, the United Arab Emirates.
Al-Ahleia Insurance Company S.A.K.P.	Al-Ahleia Insurance Company S.A.K.P. provides insurance and reinsurance products and services in Kuwait. It operates through three segments: General Risk Insurance, Life and Medical Insurance, and Reinsurance. The company offers motor insurance products, such as third party liability, comprehensive vehicle, personal accident, public liability, car total loss, driver license, and unified orange card insurance products; and marine hull and marine cargo insurance products. It also provides life and medical insurance products comprising individual and group life, family income protection, medical, and travel insurance products. In addition, the company offers property insurance products and a wide spectrum of liability insurance products, The company was incorporated in 1962 and is headquartered in Kuwait City, Kuwait. Al-Ahleia Insurance Company S.A.K.P. is a subsidiary of Royal & Sun Alliance Insurance (Middle East) BSC (c).
Arabian Shield Cooperative Insurance Company	Arabian Shield Cooperative Insurance Company provides various insurance products to companies and individuals in the Kingdom of Saudi Arabia. It offers medical, motor, property, engineering, marine, liability, accident, casualty, protection and saving, travel, and medical malpractice insurance, as well as reinsurance products. The company was founded in 1998 and is headquartered in Riyadh, the Kingdom of Saudi Arabia.
Doha Insurance Group Q.P.S.C.	Doha Insurance Group Q.P.S.C., together with its subsidiaries, engages in insurance and reinsurance businesses in the United Arab Emirates and internationally. The company operates through three segments: Marine and Aviation, Motor, and Fire and General Accidents. Its personal insurance products include car, travel, and yacht insurance products; and corporate insurance products comprise motor fleet, aviation, engineering, fire, health, and marine insurance products. The company also provides insurance and reinsurance services according to Islamic Sharia principles under the Doha Takaful name. It also engages in other non-insurance activities. The company was formerly known as Doha Insurance Company Q.S.C. and changed its name to Doha Insurance Group Q.P.S.C. in March 2017. Doha Insurance Group Q.P.S.C. was incorporated in 1999 and is headquartered in Doha, Qatar.

Source: Capital IQ

Appendix III
Comparable Companies

- **Comparable Companies**: Below lays a brief overview of each of the comparable companies selected for relative valuation purposes.

Company	Overview
Kuwait Reinsurance Company K.S.C.P.	Kuwait Reinsurance Company K.S.C.P. provides reinsurance products and services in Kuwait, the Middle East, North Africa, and internationally. The company operates in four segments: Fire; General Accident; Marine, Energy and Aviation; and Life. It offers treaty, property, engineering, casualty, downstream and upstream energy, renewable energy, political violence, marine, life, and retakaful reinsurance products and services.The company was incorporated in 1972 and is based in Kuwait City, Kuwait. Kuwait Reinsurance Company K.S.C.P. operates as a subsidiary of Al Ahleia Insurance Company S.A.K.P.
Oman Insurance Company P.S.C.	Oman Insurance Company P.S.C. provides insurance solutions in the United Arab Emirates, the Sultanate of Oman, the State of Qatar, the Kingdom of Bahrain, and the Republic of Turkey. The company's General Insurance segment offers property, engineering, energy, motor, general accident, aviation, and marine risks insurance products. Its Life Insurance segment provides participating and non-participating individual life, medical, group life, and personal accident insurance products, as well as investment linked products. The company serves individuals; medium to large industrial and commercial enterprises; and energy, marine, and construction sectors. The company was founded in 1975 and is headquartered in Dubai, the United Arab Emirates. Oman Insurance Company P.S.C. operates as a subsidiary of Mashreq Bank (PSC).
Qatar Islamic Insurance Group Q.P.S.C.	Qatar Islamic Insurance Group Q.P.S.C. provides a range of insurance products and services in Qatar. The company primarily offers property, travel, motor, marine, fire, engineering, liability, life, medical, money-bankers, energy, electronics and computer, takaful, health, and family package insurance products; and general insurance products, including burglary, plate glass, office multicover, personal accident cover, and accident insurance products. It serves private and public sectors, including government offices, banking institutions, hotels, and other organizations, as well as infrastructure projects. The company was formerly known as Qatar Islamic Insurance Company Q.P.S.C. Qatar Islamic Insurance Group Q.P.S.C. was incorporated in 1993 and is based in Doha, Qatar.
Kuwait Insurance Company S.A.K.P.	Kuwait Insurance Company S.A.K.P. provides various insurance products and services in Kuwait. The company operates through Marine and Aviation, Fire, General Accident, and Life Insurance segments. The Marine and Aviation segment provides insurance against risks related to goods transportation and marine and aviation vessels. The Fire segment offers insurance against fire for various types of buildings, stores; industrial risks; and oil and gas industry. The General Accident segment offers insurance against risks of contractors, machinery and computer damages, and cessation of work; and cash, bonds, fidelity, professional risks, work accidents, civil responsibility, and motor vehicles insurance products. The Life Insurance segment provides life insurance cover for individuals and groups, as well as medical insurance products. The company was founded in 1960 and is headquartered in Kuwait City, Kuwait.

Source: Capital IQ

- **Comparable Companies**: Below lays a brief overview of each of the comparable companies selected for relative valuation purposes.

Company	Overview
Warba Insurance and Reinsurance Company (K.S.C.P.)	Warba Insurance and Reinsurance Company (K.S.C.P.) provides life and non-life insurance products and services for individuals and companies in Kuwait. The company operates in Marine and Aviation; General Accident; Fire; Motor; and Life and Medical Insurance segments. It offers insurance against the risks related to goods transportation, and various marine and aviation vessels; insurance against risks of contractors, machine and computer damages, and cessation of works; insurance for cash, fidelity bonds, professional risks, work accidents, civil responsibility, and cars; and insurance against fire for buildings, stores, industrial risks, and oil and gas industries. The company also provides insurance against accidents for motor vehicles, and life and health insurance products. In addition, it engages in the investment activities. Warba Insurance and Reinsurance Company (K.S.C.P.) was founded in 1976 and is headquartered in Kuwait City, Kuwait.
Walaa Cooperative Insurance Company	Walaa Cooperative Insurance Company provides cooperative insurance and reinsurance products and services in the Kingdom of Saudi Arabia. The company offers various property insurance products, including property all risk, fire and specified perils property damage, home, and loss of profit/business interruption insurance; and engineering insurance products, such as erection and construction all-risk, and contractor’s plant and machinery/equipment insurance, as well as machinery breakdown insurance (MBD), loss of profit following MBD, and deterioration of stock following MBD. It also provides motor insurance products, which include commercial and private motor comprehensive, and third party liability policies; marine insurance products, including marine cargo and hull insurance policies; medical insurance; and miscellaneous accidents insurance products, such as comprehensive general liability, professional indemnity, medical malpractice, directors and officers liability, security and private protection, fidelity guarantee, money, personal accident, workmen’s compensation and employers liability, travel, aviation hull, education, saving, critical illness, and other insurance products. The company was formerly known as Saudi United Cooperative Insurance Company and changed its name to Walaa Cooperative Insurance Company in May 2017. Walaa Cooperative Insurance Company was incorporated in 2007 and is headquartered in Al-Khobar, the Kingdom of Saudi Arabia.

Source: Capital IQ

- **Macro-economic Outlook: High-level:**
  - Oil prices declined by 10.3% in 2023 despite the OPEC+ oil cuts, voluntary oil production cuts by Saudi Arabia and Russia and the geopolitical tensions in the Middle East. OPEC+ had announced oil production cuts of about 3.66mn bpd in 2023, which supported oil prices for most parts of the year while the increase in production from non-OPEC+ members and weak demand from China added downward pressure. However, oil prices gained 3.3% in 2024 (as of January 23, 2024) owing to concerns over supply and forecasts for strong oil demand in 2024. The disruption of major oilfield in Libya coupled with ongoing geopolitical disruptions in the Middle East supported oil prices. The IEA revised its oil demand forecasts for 2024 up by 180,000 bpd from earlier estimates, further supporting oil prices.
  - Following the 25-bps interest rate hike during July 2023, the Central Bank of Kuwait has kept its interest rate stable at 4.25% as of December 2023.
  - Kuwait's budget deficit is expected to average 14% of GDP between 2023 and 2026 according to S&P, primarily due to high spending despite relatively high oil prices.

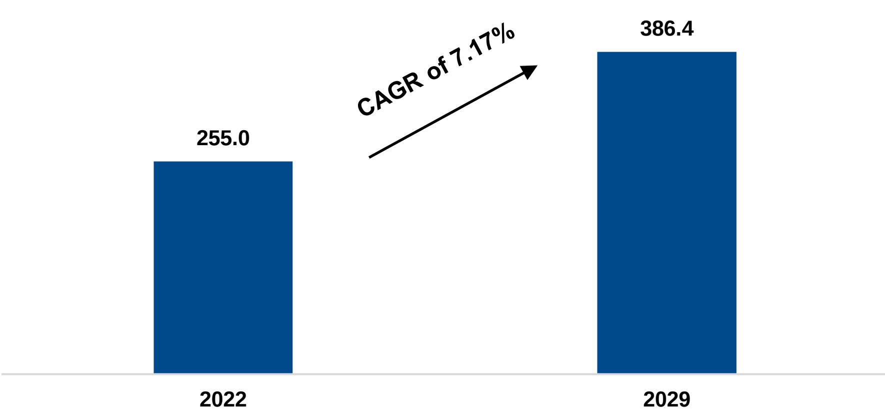
	Positives	Negatives
Kuwait	According to IMF's October 2023 report, Real GDP is forecasted to contract by 0.6% in 2023 vs 8.9% growth in 2022 owing to the prevailing OPEC+ production cuts. However, the economy is expected to rebound in 2024 due to elevated oil output and easing inflation.	Kuwait's economy will have a negative impact if there is any decline in oil prices due to demand concerns. Among the key non-oil sectors, the real estate sector is already witnessing a slowdown, which could further be affected if oil prices decline.
GCC	For the GCC region, headline inflation is expected to be much lower as compared to global trends. The IMF forecasts inflation in the GCC region to remain at 2.6% in 2023 followed by an expected decline to 2.3% in 2024.	GCC economies are expected to grow at a much slower pace in 2023 compared to 2022 because of oil production cuts mandated by OPEC+.
MENA Region	MENA's real GDP is forecast to grow at 2.0% in 2023 and improve to 3.4% in 2024. Among the MENA countries, GCC is likely to be the growth center in 2023 and 2024 supported by higher oil revenue.	Alongside global risks, region-specific geopolitical risks and high levels of debt pose a challenge to the region. Egypt, for example, borrowed USD 3 billion, 46-month financial support package from the IMF, in December 2022. Further, Egypt was in talks with IMF to extend the borrowing to more than USD 5 million in October 2023.
U.S.	The U.S FED kept the policy rate stable in the target range of 5.25-5.5% in the previous two meetings held in September and November. The existing rate is expected to be the terminal interest rate of the current cycle. According to the projections by the Fed policymakers, the central bank is expected to maintain the policy rate in its current range until Q3 2024 and cut interest rates by 50 bps in Q4 2024. Easing inflation levels and expectations of a soft landing favor the U.S economy.	Higher interest rates are expected to affect consumer spending in H1 2024. Limited government spending and lower business investment weigh on economic growth in 2023 and 2024.

Source: IMF Report, Refinitiv

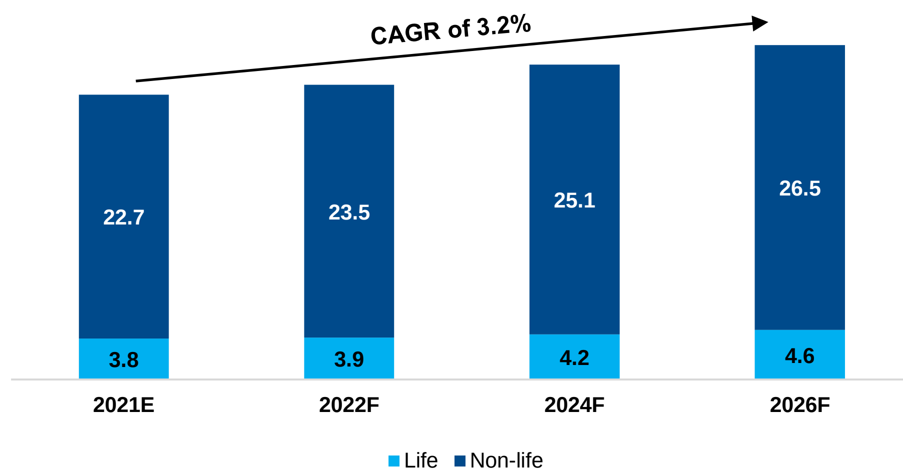
Market Overview: Market Size and Forecasts – Middle East & Africa

- The projected growth in the Middle East and Africa insurance market is primarily driven by growing awareness regarding the importance of insurance coverage stimulated by economic development and increased urbanization. Expanding population and rising proportion of middle-income class are likely to increase the demand for insurance products such as life, health, and property insurance. Technological advancements coupled with higher digital penetration in the Middle East are expected to foster the industry growth in the long-term.
- As per the estimates from Data Bridge Market Research, the health insurance market in Middle East and Africa is projected to grow at a CAGR of 3.7% between 2022-2029 and reach the value of USD 186.1 billion by the year 2029. The rise in the demand for group health insurance by corporates and increased costs of medical services are expected to drive health insurance demand in the region.
- The GCC Insurance sector growth would be underpinned by sustained increase in population coupled with infrastructure development projects, including the planned smart city of NEOM in Saudi Arabia.

Middle East and Africa Insurance Market Size (USD billion)



GCC Insurance Market Size (USD billion)

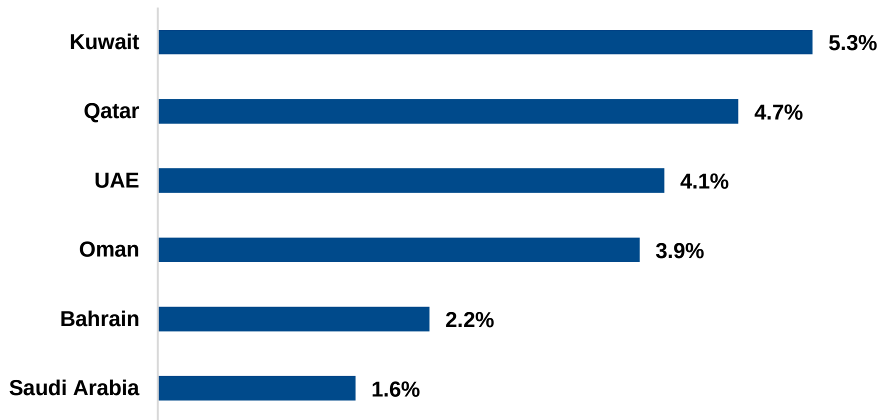


Source: Alpen Capital

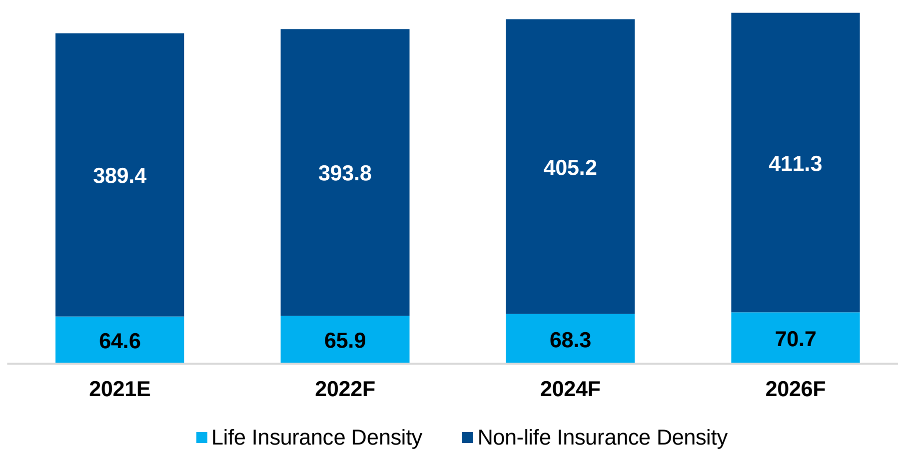
Appendix IV
Market Overview: Market Size and Forecasts - GCC

- The GCC Insurance market has remained resilient over the past decade supported by broad-based economic growth and strengthening government regulations. The insurance market in the region remained stable during the pandemic supported by strong capital buffers.
- The life insurance gross written premiums (GWP) is projected to grow at a CAGR of 3.8% from USD 3.8 billion in 2021 to USD 4.6 billion in 2026. Growth rates vary across the GCC region owing to different projections for population increases.
- The non-life insurance segment in the GCC is estimated to grow at a CAGR of 3.1% from USD 22.7 billion in 2021 to USD 26.5 billion in 2026 assisted by an expected recovery in economic activity, the rollout of new mandatory business lines and a rise in infrastructure investments. The non-life segment is expected to encompass 85.3% of the total insurance market by 2026.
- Within the GCC region, Kuwait is expected to register the fastest growth at CAGR 5.3%, primarily driven by reforms by the Insurance Regulation Unit (IRU), a growing population base, reviving business activity, and government investments in infrastructure projects.

Insurance Market Growth (2021E-2026F)



Forecast of Insurance Density in the GCC (USD)

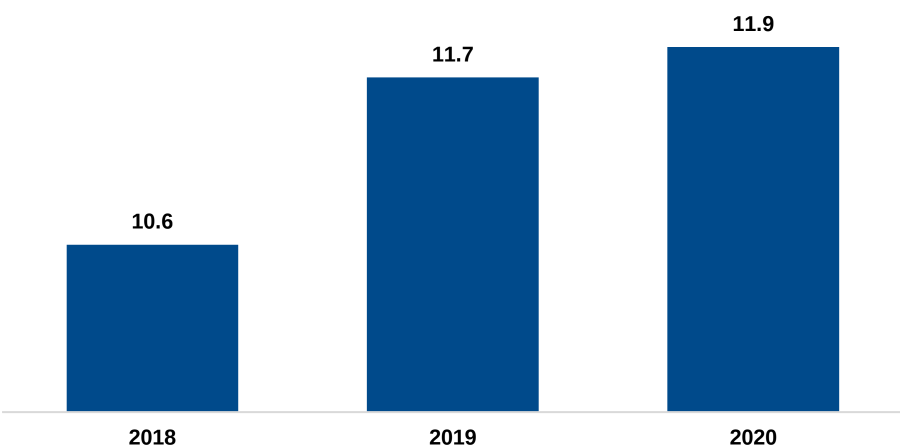


Source: Alpen Capital
Note: Insurance density - Gross written premium measured per capita
Insurance market growth is measured by gross written premiums

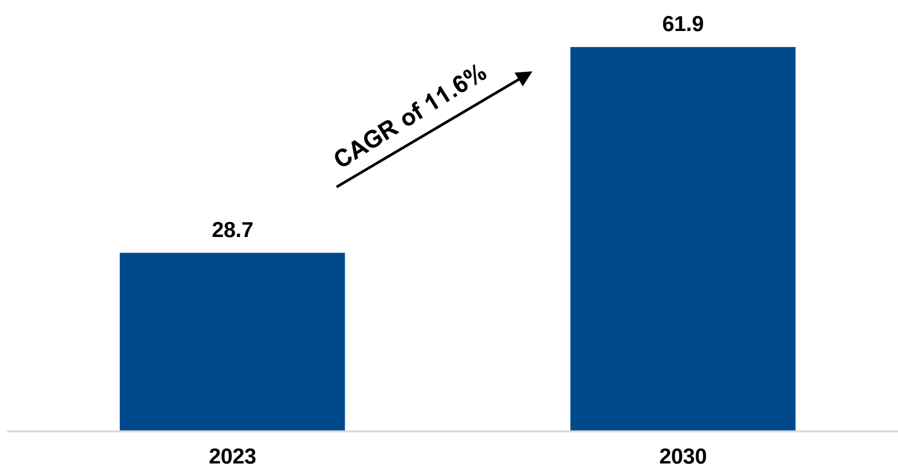
Market Overview: Market Size and Forecasts – Takaful

- The GCC region accounted for 36.5% of the global Takaful assets in 2020, owing to its large and growing affluent Islamic population. There are more than 47 listed Takaful operators in the region, whose combined premiums increased from USD 10.6 billion in 2018 to USD 11.9 billion in 2020. Saudi Arabia has maintained its position as the top market for Takaful in the GCC based on asset size, followed by the UAE, Qatar, and Bahrain.
- According to S&P Global, the Islamic insurance sector in the GCC is expected to witness GWP growth of 5%-10% in 2023. The increase in premiums is expected to be driven by economic growth bolstered by high oil prices, an increase in insurance demand and ongoing infrastructure developments in the region.
- Takaful Insurance market in the GCC is likely to witness significant consolidation due to negative profitability during the COVID-19 pandemic and regulatory changes that force the industry to streamline operations. For instance, new solvency requirements in the UAE demanding higher capital, coupled with the SAMA's plan to increase minimum capital requirements for insurance providers to SAR 500 million (USD 133.3 million) – five times the current requirement, have amplified the challenges for operators.

GWP of Takaful Insurers in the GCC (USD billion)



GCC Takaful Market Size Forecast (USD billion)



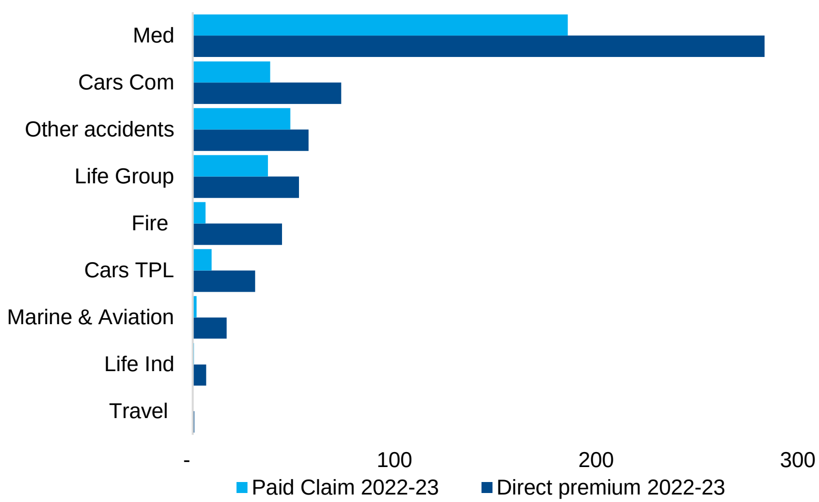
Source: Alphen Capital, Research and Markets
Note: Takaful - Follows Islamic religious principles such as bans on interest and pure monetary speculation. Here, risk is pooled among policyholders rather than being borne entirely by the company.
Market size is measured by gross written premiums.

Appendix IV

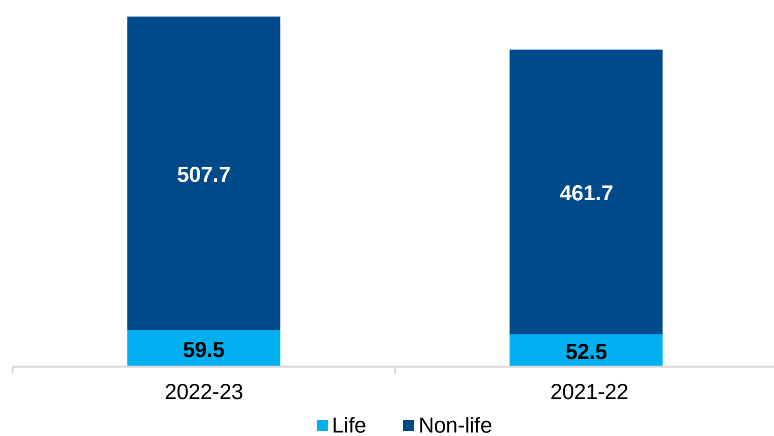
Market Overview: Kuwait Net Written Premiums (NWP)

- NWP in 2022-2023 for Non-life and Life insurance segments is KD 507.7 million and KD 59.5 million respectively compared to KD 461.7 million and 52.5 million during 2021-2022.
- NWP for the Medical segment increased by 6% from 2021 to 2022, paid claims decreased by 16%, while net written premium for Life Group segment increased by growth of 13.2% and decreased in paid claims by 13.3%. The highest revenue contribution is Medical (50.1%), followed by Cars Comprehensive (13.0%), Other Accidents (10.2%), Life Group (9.3%), Fire (7.8%), Cars Third Party Liability (5.5%), Marine & Aviation (3.0%), Life Individual (1.2%), and Travel (0.0%). Total NWP in 2022-2023 grew by 10.32% in all segments and decreased in paid claims by 7.68%.
- In 2022-2023, Travel has the highest profitability ratio of around 96% and Other Accident with the least profitability ratio of around 15.7%. The Medical segment recorded the highest NWP amounting to KD 283.5 million.

Paid Claims vs Net Written Premiums (KD million)



Net Written Premiums (KD million)



Source: Insurance Regulatory Unit
Note: Net Written Premium is defined as written premiums less reinsurance premiums ceded.

Digitalization: Automation and AI (artificial intelligence) are transforming the way insurers interact with consumers across the value chain. Technology has enabled life insurers to predict and intervene in health events based on a simulated digital twin of a customer. The insurers in MENA region have adopted AI using NLP (natural language processing) to extract data from documents and issue motor policies in less than one minute. Few insurance players in the Middle East like Adnic, Bupa Arabia, Tawuniya, Wafa Assurance, Abu Dhabi National Insurance deploy new technologies such as AI, Internet of Things (IoT), drones, and Blockchain to generate value in the market.

Evolving Customer preferences: Apart from financial protection, customers seek personalized insurance solutions. The changing consumer behavior has compelled the insurance companies in the MENA region to create a new ecosystem in accordance with digitalization preferences. Consequently, regulators across the GCC have introduced reforms such as Insurtech as part of their FinTech strategy. For example, Insurtech accelerators have started to widely pick up in the Saudi Arabia coupled with the penetration of insurance aggregators taking almost 10% of the insurance market share. However, the adoption of Insurtech is still gaining traction in UAE.

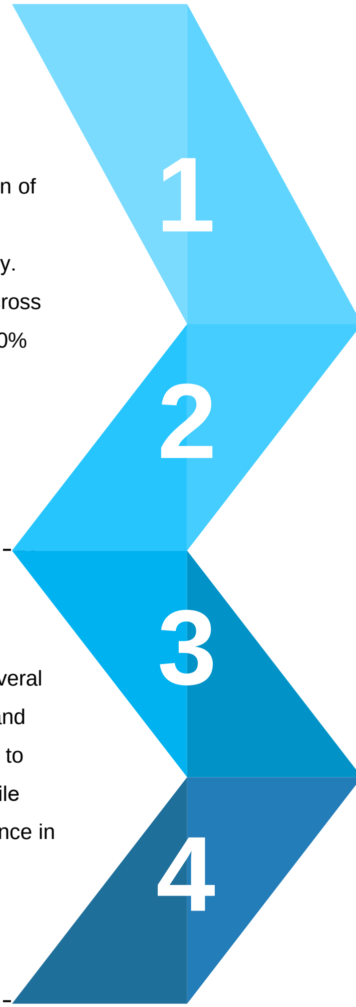
Sustainability and ESG: The growing threat of climate change poses systemic physical and transition risks with a direct impact for the insurance industry. To protect against these risks, insurers need to develop a deeper understanding of them in their portfolios, rebuild their risk models and pricing assumptions, create new climate related products and services, work with organizations to help them mitigate climate risks. In the GCC region, adoption of ESG requirements remains ongoing. Out of the major insurers in the region, only half are disclosing ESG information, albeit regional insurers are developing ESG practices.

M&A activity: High-operating costs combined with a strengthening regulatory environment is making it difficult for smaller players to sustain profitability levels. This is likely to lead to higher consolidation through increased M&A across the MENA market as the insurance companies are forced to focus on building resiliency and business continuance.

Source: PwC

Appendix IV

Market Overview: Demand Drivers



Rising healthcare expenditure: The modern lifestyle habits of individuals has led to numerous health problems such as obesity and other chronic illness, indirectly leveraging the insurance sector. According to Mordor Intelligence, more than 68% of adults in UAE are overweight, resulting in chronic diseases such as cardiovascular diseases, cancer, and diabetes. These health issues have also increased the financial burden owing to costly medical treatments and financial burdens. Given the government spending on healthcare is currently high in the MENA region, we expect the insurance penetration to improve as the burden of healthcare spending shifts from the public to the private sector.

Favorable Demographics: A growing population with a higher proportion of young and working-class professionals along with a rising number of expatriates continue to be a major driver for the GCC's insurance industry. Demand for insurance products is expected to grow as the population across the GCC is likely to reach 64.4 million by 2026, registering a CAGR of 2.0% since 2021.

Government mandates: The MENA, especially GCC nations have mandated health insurance for citizens, foreign visitors and expatriates over the past few years. The mandates are expected to drive the expansion of the GCC Insurance industry and boost the demand for insurance products.

Regulatory oversight: Regional authorities in the MENA have made several changes to regulatory oversight in recent years to ensure transparency and discipline in the operations of insurance providers. The reforms are likely to improve the insurer's credit profiles and asset quality in the long term while making the insurance sector more efficient and increasing public confidence in the insurance system.

Source: Various

Appendix IV

Market Overview: Regional Players

Company name	Country	Market Cap (USD million)	Total Premiums earned 2022 (USD million)	Pretax ROA (2022)	Pretax ROE (2022)
Bupa Arabia for Cooperative Insurance Company	Saudi Arabia	7,973.5	3,399.4	8.4%	24.5%
Company for Cooperative Insurance	Saudi Arabia	4,926.4	2,902.7	3.2%	15.5%
Qatar Insurance Company	Qatar	2,169.0	2,158.6	0.6%	2.5%
Al-Rajhi Company for Cooperative Insurance	Saudi Arabia	1,823.4	676.7	2.2%	7.6%
Gulf Insurance Group	Kuwait	1,661.3	1,669.8	4.0%	17.8%
Turkiye Sigorta	Turkey	1,533.2	517.1	6.1%	25.7%
Anadolu Anonim Turk Sigorta Sti	Turkey	1,139.3	853.1	7.0%	43.8%
Ray Sigorta	Turkey	1,102.2	82.7	6.2%	36.1%
Abu Dhabi National Insurance Company	UAE	936.0	468.7	5.0%	13.6%
Anadolu Hayat Emeklilik	Turkey	611.1	170.6	2.4%	65.6%

Source: Refinitv

UAE

- Until 2020, the UAE insurance market was regulated by the Insurance Authority. However, due to the Decretal Federal Law 25/2020, the Insurance Authority merged into the UAE Central Bank.
- Insurance companies, contracts and policies entered in free zones are regulated by different entities. For example, insurance companies operating in the Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM) are regulated by DFSA and ADGM respectively.

Saudi Arabia

- All insurers and reinsurers registered in KSA are regulated by the Saudi Arabian Central Bank. Health insurers are supervised by the Council of Cooperative Health Insurance.
- Insurers registered locally are also regulated by the Capital Markets Authority (CMA). Insurers must comply with the laws and regulations of the Ministry of Commerce.
- Insurance and reinsurance companies with foreign shareholders must obtain a foreign investment license from Saudi Arabia General Investment Authority.

Kuwait

- Under the New Insurance law implemented in September 2019, the Insurance Regulator Unit (IRU) regulates the insurance companies in Kuwait.
- The goals of the IRU board are to: (a) develop the insurance business in a fair, transparent and competitive manner (b) prevent conflicts of interests
  (c) ensure compliance with laws and regulations
  (d) educate the public about insurance activities, benefits, risks and the associated obligations.

Qatar

- The Qatar Financial Centre Regulatory Authority (QFCRA) and Qatar Central Bank regulate the Qatar insurance industry along with the International Association of Insurance Supervisors.
- The QFCRA functions under the guidelines are stipulated in the QFC Law, Prudential-Insurance Rulebook, and General Rulebook.

Bahrain

- Since 2002, the Central Bank of Bahrain regulates the insurance sector.
- All legal, regulatory and supervisory insurance frameworks follow the criteria of the International Association of Insurance Supervisors (IAIS) core principles and methodology.

Oman

- Capital Market Authority regulates and supervises the insurance sector in the Sultanate of Oman which consists of : General and Takaful insurance companies, reinsurance companies, insurance brokers, insurance agents, the Oman Insurance Society and the unified office of the orange card.

Egypt

- The Egyptian Financial Regulator (FRA) Authority regulates the Egypt insurance industry while the International Association of Insurance Supervisors and Insurance Federation of Egypt act as the other supervisors.
- The FRA oversees market manipulation and fraud and protects the rights of insurance policyholders.

Jordan

- Central Bank of Jordan oversees the sector. Jordan Insurance Federation is a professional entity for the insurance sector. Later in 2008, a new regulation was issued for restructuring the Federation.
- In 1987, the Unified Insurance Office was created for the regulation of automobile insurance.

Source: Global Data, Various Central Banks

Appendix IV

Market Overview: SWOT Analysis – MENA Region Insurance Industry

Strengths

- Strong GDP growth
- Young population and growing middle class
- Increasing awareness on health insurance
- Robust capital buffers
- Stable banking sector to support insurance needs

Weaknesses

- Increase in VAT rates
- Introduction of other new taxes

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Opportunities

- Government regulations necessitating mandatory insurance
- Increasing demand for Takaful insurance
- Substantial projects underway in multiple sectors
- Rising infrastructure investments
- Lower insurance penetration compared to developed and emerging peers

Threats

- Industry performance tied to volatile oil prices
- Delay in the implementation of infrastructure projects
- Intensifying competition
- Large number of expats that keep migrating

Source: Marmore Analysis

Appendix IV

Market Overview: GCC Mergers & Acquisitions

Date	Target Company	Target Country	Buyer	Buyer Country	Percent Sought	Deal Value (USD mn)	Status
12/13/2023	Gulf Insurance Group	Kuwait	Fairfax Financial Holdings Limited	Canada	46.3	832.7	Closed
09/28/2023	Allianz Saudi Fransi Cooperative Insurance Company (SASE:8040)	Saudi Arabia	Abu Dhabi National Insurance Company PJSC (ADX:ADNIC)	United Arab Emirates	51.0	133.1	Announced
03/01/2023	Al Ahlia Insurance Company SAOG	Oman	National Life and General Insurance Company SAOG	Oman	47.5	57.3	Closed
03/02/2023	Wataniya Insurance Company	Saudi Arabia	E.A. Juffali & Brothers	Saudi Arabia	17.8	21.0	Closed
03/16/2023	National Takaful Insurance Company	Kuwait	Kuwait Insurance Company	Kuwait	100.0	6.6	Closed
02/20/2023	Vision Insurance Company SAOG	Oman	Oman Qatar Insurance SAOG (OQIC)	Oman	100.0	-	Closed

Source: Markaz Analysis

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