

GULF INSURANCE GROUP / JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2023



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF GULF INSURANCE GROUP/JORDAN
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Insurance Group / Jordan a public shareholding company as at 31 March 2023, comprising of interim consolidated statement of financial position as at 31 March 2023 and the related interim consolidated statement of income, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, and interim consolidated statement of cash flows for three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies stated in note (2). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies stated in note (2).

Emphasis of Matter – Basis of preparation and restriction on use

We draw attention to note (2) to the accompanying interim condensed consolidated financial statements, which shows the accounting policies used. These financial statements have been prepared for the purposes of complying with the reporting requirements of the Insurance Management Department at the Central Bank of Jordan and the Securities Exchange Commission, therefore they may not be suitable for other purposes, and our report is intended for the use of the company's management, Insurance Management Department and the Jordan Securities Commission and should not be used by other parties. Our conclusion is not modified with regards to this matter.

Amman – Jordan
3 May 2023

ERNST & YOUNG
Amman - Jordan

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	31 March 2023 JD (Unaudited)	31 December 2022 JD (Audited)
Assets			
Bank deposits	3	62,742,583	66,922,562
Financial assets at fair value through profit or loss	5	1,122,167	-
Financial assets at fair value through other comprehensive income	4	6,164,241	5,560,183
Financial assets at amortized cost	6	16,909,898	11,580,213
Investment property		170,464	170,464
Life policyholders' loans	7	-	11,757
Total Investments		87,109,623	84,245,179
Cash on hand and at banks	16	3,671,883	802,963
Checks under collection		5,024,233	4,478,825
Accounts receivable	8	33,308,585	26,776,134
Reinsurance receivables	9	1,434,486	1,651,798
Deferred tax assets	10/B	3,686,104	3,538,580
Property and equipment		7,412,680	7,258,450
Intangible assets		5,664,645	5,732,264
Right of use assets		338,343	401,387
Other assets		3,338,923	2,207,089
		150,989,505	137,092,669
Discontinued operations' assets		775,795	773,434
Total Assets		151,765,300	137,866,103
Liabilities and Equity			
Liabilities –			
Insurance contract liabilities:			
Unearned premium reserve		23,227,661	19,625,950
Premium deficiency reserve		1,407,000	1,307,000
Outstanding claims reserve		31,836,795	30,721,328
Mathematical reserve		517,867	534,910
Total Insurance contract liabilities		56,989,323	52,189,188
Account payable	11	5,409,495	7,115,332
Accrued expenses		1,142,138	1,789,318
Reinsurance payables	12	31,206,048	22,744,232
Lease contracts liabilities		316,462	394,287
Other provisions		2,083,242	2,225,993
Income tax provision	10/A	89,194	216,755
Other liabilities		1,720,250	999,202
		98,956,152	87,674,307
Liabilities related to discontinued operations' assets		247,779	266,558
Total Liabilities		99,203,931	87,940,865
Equity -			
Authorized and paid-in capital	13	26,000,000	26,000,000
Statutory reserve		6,500,000	6,500,000
Fair value reserve		(867,780)	(1,684,308)
Retained earnings		20,929,149	17,609,546
Total equity		52,561,369	48,425,238
Subordinated loan	14	-	1,500,000
Net equity		52,561,369	49,925,238
Total Liabilities and Equity		151,765,300	137,866,103

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Note	31 March 2023 JD	31 March 2022 JD
Revenues –			
Gross written premium		36,937,579	38,072,175
Less: reinsurance share		(20,968,601)	16,929,120
Net written premium		15,968,978	21,143,055
Change in premium deficiency reserve		(100,000)	(81,000)
Net change in mathematical reserve		17,043	(99,826)
Net change in unearned premium reserve		(3,601,711)	(9,526,264)
Net earned premium		12,284,310	11,435,965
Commissions received		4,107,003	3,674,044
Insurance policies issuance fees		1,126,819	1,283,746
Interest income		653,867	550,865
Gain from financial assets and investments		311,171	303,297
Other revenues		-	63
Total revenues		18,483,170	17,247,980
Claims, losses and expenses			
Paid claims		17,806,707	16,893,241
Maturity and surrender of insurance policies		21,347	-
Less: Recoveries		766,497	774,336
Less: Reinsurance share		7,528,250	6,937,276
Net paid claims		9,533,307	9,181,629
Net change in outstanding claims reserve		1,115,467	442,864
Allocated employees' expenses		1,974,113	2,248,429
Allocated general and administrative expenses		884,641	787,133
Excess of loss premium		236,510	206,676
Policies acquisition costs		603,938	562,801
Other expenses		84,520	81,408
Net claims costs		14,432,496	13,510,940
Unallocated employees' expenses		493,528	562,107
Unallocated general and administrative expenses		221,161	196,785
Depreciation and amortization		255,232	163,428
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivables		100,000	27,933
Loss from sale of property and equipment		600	21,004
Total expenses		1,070,521	971,257
Profit for the period before tax		2,980,153	2,765,783
Recovered from (expense) for income tax		74,986	(294,699)
Profit for the period from continuing operations		3,055,139	2,471,084
Discounted operations:			
Loss after tax from discounted operations		-	(4,673)
Profit for the period from discontinued operations		3,055,139	2,466,411
		JD/Fils	JD/Fils
Basic and diluted earnings per share from the profit attributable to the Company's shareholders	15	0.118	0.095

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	31 March 2023 <u>JD</u>	31 March 2022 <u>JD</u>
Profit for the period	3,055,139	2,466,411
Add: Other comprehensive income not to be reclassified to profit and loss in subsequent periods		
Changes in fair value of financial assets through other comprehensive income	<u>1,080,992</u>	<u>381,554</u>
Total comprehensive income for the period	<u><u>4,136,131</u></u>	<u><u>2,847,965</u></u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Authorized and paid-in capital	Statutory reserve	Special reserve	Fair value reserve	Retained earnings*		Total retained earnings	Total Equity
					Realized	Unrealized		
					JD	JD		
For the period ended 31 March 2023								
Balance as at 1 January 2023	26,000,000	6,500,000	-	(1,684,308)	17,609,546	-	17,609,546	48,425,238
Total comprehensive income for the period	-	-	-	1,080,992	2,987,351	67,788	3,055,139	4,136,131
Gain on the sale of financial assets through the statement of other comprehensive income	-	-	-	(264,464)	-	-	264,464	-
Balance as at 31 March 2023	26,000,000	6,500,000	-	(867,780)	20,596,897	67,788	20,929,149	52,561,369
For the period ended 31 March 2022								
Balance as at 1 January 2022	25,438,252	6,359,563	40,221	(967,052)	-	-	10,597,102	41,468,086
Total comprehensive income for the period	-	-	-	381,554	2,466,411	-	2,466,411	2,847,965
Loss on the sale of financial assets through the statement of other comprehensive income	-	-	-	21,044	-	-	(21,044)	-
Balance as at 31 March 2022	25,438,252	6,359,563	40,221	(564,454)	2,466,411	-	13,042,469	44,316,051

* Retained earnings includes an amount of JD 3,686,104 as at 31 March 2023 (31 December 2022: JD 3,538,580), representing deferred tax assets that cannot be distributed according to the Jordan Securities Commission's instructions.

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	31 March 2023 JD	31 March 2022 JD
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Profit for the period before tax		2,980,153	2,765,783
Loss after tax from discounted operations		-	(4,673)
Adjustments for -			
Interest income		(653,867)	(550,865)
Depreciation and amortization		255,232	163,428
Depreciation on right use assets		63,044	61,817
Interest on lease contracts obligations		7,175	5,423
Amortization of financial assets at amortized cost		(46,571)	(4,060)
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivables		100,000	27,933
Unrealized gains on financial assets at fair value through profit or loss		(67,788)	-
Loss from sale of property and equipment		600	21,004
End-of-service indemnity provision		137,975	164,860
Net change in premium deficiency reserve		100,000	81,000
Net change in unearned premium reserve		3,601,711	9,526,264
Net change in outstanding claims reserve		1,115,467	496,123
Net change in the mathematical reserve		(17,043)	99,826
Cash flows from operating activities before changes in working capital		<u>7,576,088</u>	<u>12,853,863</u>
Checks under collection		(545,408)	1,955,290
Accounts receivable		(6,532,451)	(11,742,134)
Reinsurance receivables		117,312	(528,822)
Other assets		(1,131,834)	(1,428,721)
Accounts payable		(1,705,837)	(3,965,917)
Accrued expenses		(647,180)	(107,620)
Other provisions		(267,344)	148,594
Reinsurance payables		8,461,816	5,807,819
Other liabilities		679,264	1,021,875
Life policyholders' loans		11,757	-
Paid from end-of-service provision		(13,382)	(12,844)
Income tax paid	10/ A	(200,099)	(783,910)
Net cash flows from operating activities		<u>5,802,702</u>	<u>3,217,473</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>			
Deposits at banks maturing after three months		4,179,709	(72,502)
Interests received		653,867	550,865
Purchase of property and equipment		(182,178)	(16,928)
Proceeds from sale of property and equipment		309	1,048
Purchase of financial assets at fair value through profit or loss		(1,054,379)	-
Proceeds from sale of financial assets at fair value other comprehensive income		1,119,395	-
Purchase of financial assets at fair value through other comprehensive income		(642,461)	(624,472)
Purchase of intangible assets		(160,574)	(49,524)
Purchase of financial assets at amortized cost		(5,283,114)	-
Bank overdraft		-	(1,199,828)
Net cash flows used in investing activities		<u>(1,369,426)</u>	<u>(1,411,341)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>			
Repayment of subordinated loan		(1,500,000)	(1,500,000)
Lease payments		(85,000)	(133,400)
Net cash flows used in financing activities		<u>(1,585,000)</u>	<u>(1,633,400)</u>
Net increase in cash and cash equivalent		2,848,276	172,732
Cash and cash equivalents at the beginning of the period		1,556,701	1,918,790
Cash and cash equivalents at the end of the period	16	<u>4,404,977</u>	<u>2,091,522</u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING REVENUES FOR THE LIFE INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Life	
	For the three months ended 31	
	March	
	2023	2022
	JD	JD
Written premiums -		
Direct insurance	317,853	202,463
Reinsurance inward business	108,138	-
Total premiums	<u>425,991</u>	<u>202,463</u>
Less:		
Local reinsurance share	13,621	-
Foreign reinsurance share	187,488	62,901
Net Written premiums	<u>224,882</u>	<u>139,562</u>
Add:		
Mathematical reserve at the beginning of the period	594,579	441,874
Less: reinsurance share	59,669	30,255
Net mathematical reserve at the beginning of the period	<u>534,910</u>	<u>411,619</u>
Less:		
Mathematical reserve at the end of the period	579,996	541,700
Less: reinsurance share	62,129	30,255
Net mathematical reserve at the end of the period	<u>517,867</u>	<u>511,445</u>
Net earned revenues from the written premiums	<u>241,925</u>	<u>39,736</u>

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE LIFE INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Life	
	For the three months ended 31 March	
	2023	2022
	JD	JD
Paid claims	135,224	32,166
Maturity and Surrender of Policies	21,347	-
Less: reinsurance share	35,879	20,058
Net paid claims	120,692	12,108
Add:		
Outstanding claims reserve at the end of the period		
Reported	103,772	94,128
Not reported	13,500	13,500
Less:		
Reinsurance share	46,551	62,482
Recoveries	19,214	19,214
Net outstanding claims reserve at the end of the period	51,507	25,932
Less:		
Outstanding claims reserve at the beginning of the period		
Reported	111,583	112,128
Not reported	13,500	13,500
Less:		
Reinsurance share	61,610	70,882
Recoveries	19,214	19,214
Net outstanding claims reserve at the beginning of the period	44,259	35,532
Net claims cost	127,940	2,508

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING PROFITS FOR THE LIFE INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Life	
	For the three months ended	
	31 March	
	2023	2022
	JD	JD
Net earned revenues from written premiums	241,925	39,736
Less:		
Net claims cost	127,940	2,508
Add:		
Commissions received	1,113	217
Insurance policies issuance fees	5,568	12,287
	<u>21,790</u>	<u>-</u>
Total revenues	<u>142,456</u>	<u>49,732</u>
Less:		
Paid commissions	9,298	128
General and administrative expenses related to underwriting accounts	32,969	16,143
Other expenses related to underwriting accounts	-	-
	<u>-</u>	<u>-</u>
Total expenses	<u>42,267</u>	<u>16,271</u>
Underwriting gain	<u>100,189</u>	<u>33,461</u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
UNDERWRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2023 JD	2022 JD	2023 JD	2022 JD	2023 JD	2022 JD	2023 JD	2022 JD	2023 JD	2022 JD	2023 JD	2022 JD	2023 JD	2022 JD	2023 JD	2022 JD
Direct inward insurance	7,906,198	11,372,130	685,688	599,413	2,091	274,557	1,760,749	1,496,894	510,728	453,532	24,323,161	22,006,047	737,450	1,130,831	35,926,065	37,333,404
Facultative inward insurance business	303,019	243,366	4,867	-	-	-	277,637	292,604	-	338	-	-	-	-	585,523	536,308
Total written Premium	8,209,217	11,615,496	690,555	599,413	2,091	274,557	2,038,386	1,789,498	510,728	453,870	24,323,161	22,006,047	737,450	1,130,831	36,511,588	37,869,712
Less:																
Local reinsurance share	293,944	274,960	16,521	19,774	-	-	32,306	24,070	-	-	-	-	4,521	7,267	347,292	326,071
Foreign reinsurance share	30,368	29,109	561,532	469,473	2,091	274,557	1,805,791	1,399,432	426,900	385,477	17,060,610	13,155,581	532,908	826,519	20,420,200	16,540,148
Net Written Premium	7,884,905	11,311,427	112,502	110,166	-	-	200,289	365,996	83,828	68,393	7,262,551	8,850,466	200,021	297,045	15,744,096	21,003,493
Add:																
Balance at the beginning of the period																
Unearned premium reserve	11,243,429	9,698,336	395,671	271,055	40,289	-	7,472,955	7,820,770	668,074	631,049	19,738,243	18,564,380	1,443,416	1,558,153	41,002,077	38,543,743
Less: reinsurance share	516,519	328,782	288,055	202,321	40,289	-	6,788,893	6,969,650	574,551	557,101	11,945,046	11,092,248	1,222,774	1,318,910	21,376,127	20,469,012
Net Unearned Premium reserve	10,726,910	9,369,554	107,616	68,734	-	-	684,062	851,120	93,523	73,948	7,793,197	7,472,132	220,642	239,243	19,625,950	18,074,731
Add:																
Balance at the beginning of the period																
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	1,307,000	684,000	-	-	1,307,000	684,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium deficiency reserve net	-	-	-	-	-	-	-	-	-	-	1,307,000	684,000	-	-	1,307,000	684,000
Less:																
Balance at the end of the period																
Unearned premium reserve	12,757,856	15,436,383	617,584	539,942	4,852	226,722	6,634,681	7,054,906	601,342	571,843	29,977,432	27,720,037	1,418,712	1,821,819	52,012,459	53,371,652
Less: reinsurance share	469,105	363,364	513,372	445,805	4,852	226,722	6,047,459	6,200,571	477,784	472,429	20,077,270	16,567,465	1,194,956	1,494,301	28,784,798	25,770,657
Unearned Premium reserve – net	12,288,751	15,073,019	104,212	94,137	-	-	857,222	854,335	123,558	99,414	9,900,162	11,152,572	223,756	327,518	23,227,661	27,600,995
Less:																
Balance at the end of the period																
Premium deficiency reserve	200,000	-	-	-	-	-	-	-	-	-	1,207,000	765,000	-	-	1,407,000	765,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium deficiency reserve net	200,000	-	-	-	-	-	-	-	-	-	1,207,000	765,000	-	-	1,407,000	765,000
Net earned written Premium	6,123,064	5,607,962	115,906	84,763	-	-	297,129	362,781	53,793	42,927	5,255,586	5,089,026	196,907	208,770	12,042,385	11,396,229

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	5,652,631	5,901,764	348,969	45,935	-	-	187,438	593,910	9,152	32,463	11,368,336	10,177,246	104,957	109,757	17,671,483	16,861,075
Less:																
Recoveries	745,930	710,435	6,949	1,782	-	-	11,351	44,880	(330)	3,125	1,723	13,266	874	848	766,497	774,336
Local reinsurance share	122,066	264,948	-	717	-	-	11,530	20,268	-	-	-	-	-	280	133,596	286,213
Foreign reinsurance share	5,673	2,667	174,203	28,007	-	-	99,544	477,993	3,475	-	7,044,391	6,116,898	31,489	5,440	7,358,775	6,631,005
Net Paid Claims	4,778,962	4,923,714	167,817	15,429	-	-	65,013	50,769	6,007	29,338	4,322,222	4,047,082	72,594	103,189	9,412,615	9,169,521
Add:																
Outstanding Claims reserve at the end of the period																
Reported	29,340,925	26,439,887	703,784	816,136	-	-	3,920,414	4,656,376	917,012	737,253	2,475,646	2,480,693	980,263	1,169,525	38,338,044	36,299,870
Not reported	4,611,548	4,756,528	20,000	20,539	-	-	290,832	290,832	30,221	30,221	1,731,800	1,825,433	80,392	80,392	6,764,793	7,003,945
Less:																
Reinsurance share at the end of the period																
Reported	1,672,220	1,638,592	584,517	646,156	-	-	3,205,026	3,499,746	471,417	447,523	1,596,593	1,510,150	774,074	961,562	8,303,847	8,703,729
Not reported	-	-	-	-	-	-	-	-	-	-	1,070,269	1,089,803	-	-	1,070,269	1,089,803
Recoveries	3,560,085	3,958,769	19,013	24,210	-	-	322	322	-	-	-	-	364,013	364,013	3,943,433	4,347,314
Net Outstanding Claims reserve at the end of the period	28,720,168	25,599,054	120,254	166,309	-	-	1,005,898	1,447,140	475,816	319,951	1,540,584	1,706,173	(77,432)	(75,658)	31,785,288	29,162,969
Less:																
Outstanding claims reserve at the beginning of the period																
Reported	27,979,308	26,090,788	1,017,780	804,483	-	-	4,216,491	3,242,377	905,762	712,753	2,921,155	2,530,866	955,383	1,104,681	37,995,879	34,485,948
Not reported	4,092,506	4,490,906	20,000	20,539	-	-	290,832	290,832	30,221	30,221	2,124,107	2,875,661	80,392	80,392	6,638,058	7,788,551
Less:																
Reinsurance share at the beginning of the period																
Reported	1,661,980	1,439,821	779,368	650,661	-	-	3,394,615	2,411,737	476,467	447,523	1,790,175	1,538,537	765,849	913,377	8,868,454	7,401,656
Not reported	-	-	-	-	-	-	-	-	-	-	1,285,831	1,713,732	-	-	1,285,831	1,713,732
Recoveries	3,419,235	4,060,061	19,013	24,210	-	-	322	322	-	-	-	-	364,013	364,013	3,802,583	4,448,606
Net Outstanding claims reserve at the beginning of the period	26,990,599	25,081,812	239,399	150,151	-	-	1,112,386	1,121,150	459,516	295,451	1,969,256	2,154,258	(94,087)	(92,317)	30,677,069	28,710,505
Net Claims Cost	6,508,531	5,440,956	48,672	31,587	-	-	(41,475)	376,759	22,307	53,838	3,893,550	3,598,997	89,249	119,848	10,520,834	9,621,985

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	6,123,064	5,607,962	115,906	84,763	-	-	297,129	362,781	53,793	42,927	5,255,586	5,089,026	196,907	208,770	12,042,385	11,396,229
Less:																
Net claims cost	6,508,531	5,440,956	48,672	31,587	-	-	(41,475)	376,759	22,307	53,838	3,893,550	3,598,997	89,249	119,848	10,520,834	9,621,985
Add:																
Commissions received	8,215	7,812	194,938	257,927	521	5,950	333,656	201,351	276,861	239,187	3,146,326	2,755,366	145,373	206,234	4,105,890	3,673,827
Insurance policies issuance fees	38,429	90,587	15,782	16,656	21	2,187	38,804	46,256	8,426	7,051	975,606	1,039,113	44,183	69,609	1,121,251	1,271,459
Total revenues	<u>(338,823)</u>	<u>265,405</u>	<u>277,954</u>	<u>327,759</u>	<u>542</u>	<u>8,137</u>	<u>711,064</u>	<u>233,629</u>	<u>316,773</u>	<u>235,327</u>	<u>5,483,968</u>	<u>5,284,508</u>	<u>297,214</u>	<u>364,765</u>	<u>6,748,692</u>	<u>6,719,530</u>
Less:																
Insurance policies acquisition costs	122,631	114,110	22,859	3,897	-	-	(1,334)	93,185	6,382	13,925	363,733	260,100	80,359	77,456	594,640	562,673
Excess of loss premiums	47,947	30,376	31,177	26,029	-	-	131,358	124,375	-	-	-	-	26,028	25,896	236,510	206,676
General and administrative expenses related to underwriting accounts	635,347	926,124	53,445	47,792	162	21,891	157,759	142,680	39,527	36,188	1,882,471	1,754,581	57,074	90,163	2,825,785	3,019,419
Other expenses	-	-	1,778	1,713	-	-	3,591	4,083	-	-	78,835	75,299	316	313	84,520	81,408
Total Expenses	<u>805,925</u>	<u>1,070,610</u>	<u>109,259</u>	<u>79,431</u>	<u>162</u>	<u>21,891</u>	<u>291,384</u>	<u>364,323</u>	<u>45,909</u>	<u>50,113</u>	<u>2,325,039</u>	<u>2,089,980</u>	<u>163,777</u>	<u>193,828</u>	<u>3,741,455</u>	<u>3,870,176</u>
Underwriting profit	<u>(1,144,748)</u>	<u>(805,205)</u>	<u>168,695</u>	<u>248,328</u>	<u>380</u>	<u>(13,754)</u>	<u>419,680</u>	<u>(130,694)</u>	<u>270,864</u>	<u>185,214</u>	<u>3,158,929</u>	<u>3,194,528</u>	<u>133,437</u>	<u>170,937</u>	<u>3,007,237</u>	<u>2,849,354</u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements

(1) GENERAL

Gulf Insurance Group - Jordan was established in 1996 and registered as a Jordanian public limited shareholding company under No. (309), with a paid-in capital of JD 2,000,000 divided into 2,000,000 shares with a par value of JD 1 each. The paid-in capital increased several times; most recently during 2022 to reach JD 26,000,000 divided into 26,000,000 shares with a par value of JD 1 each.

The group is engaged in life insurance business along with general insurance business against fire, accidents, marine and transportation, and motor insurance, public liability, aviation and medical insurance through its main branch located at Jabal Amman 3rd circle in Amman, and other branches at Marca "licensing services center", Mecca Street, 8th Circle, Business park, Abdali in Amman city, Aqaba branch in Aqaba City and in Irbid branch in Irbid city.

The General Assembly decided in its meeting held on May 31, 2022 to change the legal name of the company from (Arab Orient Insurance Company) to (Gulf Insurance Group / Jordan) and completed the legal procedures during the third quarter of 2022.

Gulf Insurance Group / Jordan is 89.91% owned by Gulf Insurance Company as at 31 March 2023 (parent Company). The Company's financial statements are consolidated with the parent Company.

The interim condensed consolidated financial statements were approved by the Board of Directors in its meeting on 27 April 2023.

(2-1) Basis of preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the three months ended 31 March 2023 have been prepared in accordance with the instructions of Insurance Management Department at the Central Bank based on their letter No. 17/1/6983 dated 12 April, 2023 and the instructions of the Jordan Securities Commission in their letter No. 2/3/01292/23 dated 25 April, 2023 and in accordance with the accounting policies followed by the Group set out below, as the Group did not apply International Financial Reporting Standard No. (17) as of 1 January, 2023, and continued to prepare the financial statements in accordance with International Financial Reporting Standard No. (4) according to the instructions of the supervisory authorities referred to above.

The interim condensed consolidated financial statements are presented in Jordanian Dinar (JD), which is the functional currency of the Group.

The interim condensed consolidated financial statements have been prepared on historical cost basis, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's annual report as at 31 December 2022. In addition, the results for the three months ended 31 March 2023 are not necessarily indicative of the results that may be expected for the year ended 31 December 2023.

(2-2) Accounting policies

The following are the major accounting policies applied:

Business Sector

The business sector represents a set of assets and operations that jointly provide products and service subject to risks and returns different from those of other business sector which is measured based on the reports used by the chief operating decision maker.

The geographic sector relates to providing products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

Date of Recognition of Financial Assets

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase takes place).

Fair Value

The closing prices (purchase of assets/sale of liabilities) at the date of the interim condensed consolidated financial statements in active markets represent the fair value of instruments that have market prices.

For financial instruments where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

The objective of the valuation method is to show a fair value that reflects market expectations. Where the fair value of an investment cannot be reliably measured, it is stated at cost less any impairment in the value.

A- Financial assets at amortized cost

Financial assets at amortized cost must be measured if the following conditions are met:

- Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the assets to collect their contractual cash flows.
- The cash flows according to contractual condition for these assets arise in specific dates and only represent payment for the asset amount and for the interest calculated on these assets.

Assets at amortized cost are recorded at cost upon purchase plus acquisition expenses, the premium/ discount (if any) is amortized by using the effective interest rate method records on the interest or for its account. Any provisions resulted from impairment in its value is deducted and any impairment in its value is recorded in the interim consolidated statement of income.

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

The standard permits in cases to measure these assets at fair value through statement of income if that eliminates or reduces to a large extent the inconsistency in measurement (sometimes called accounting mismatch) that arise from measurement of assets or liabilities or profit and loss recognition resulted from them in different basis.

B- Financial assets at fair value through other comprehensive income

- Equity investments that are not held for sale in the near future.
- These financial instruments are initially measured at their fair value plus transaction costs, Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of these asset are reclassified from fair value reserve to retained earnings and not through interim consolidated statement of income.
- These financial assets are not subject to impairment testing.
- Dividend income is recognized in the interim consolidated statement of income.

Impairment in Financial Assets Value

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the recoverable value is estimated in order to determine impairment loss.

Impairment amounts are determined by the following:

- Impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.

Impairment loss is recognized in the statement of income. Any recoveries in the future resulting from previously recognized impairment is credited to the interim consolidated statement of income.

Investment Properties

Investment properties are stated at cost less accumulated depreciation and are depreciated (excluding lands). The impairment loss is recorded in the statement of income, Operating revenues and expenses related to these investments are recorded in the interim consolidated statement of income.

Investment properties are revalued accordance to the Insurance Administration's instructions and the related fair value is disclosed in the related note.

Cash and Cash equivalents

For cash flow purpose cash and cash equivalents comprise cash on hand and at banks, and bank deposits maturing within three months, less bank overdrafts and restricted funds.

Reinsurance Accounts

Reinsurers shares of written, paid claims, technical reserves, and all other rights and obligations resulting on signed contracts between the Group and reinsures are accounted for based on accrual basis.

Reinsurance

The Group engages within its normal activities in a variety of inward and outward reinsurance operations with other insurance and reinsurance Companies which involves different level of risks. The reinsurance operations include quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance treaties do not eliminate the Group's liability towards policy holders, where in the case the reinsurance fails to cover its share of total liability, the Group bears the total loss, therefore the Group provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Group's share of total liability for each claim.

Impairment in Reinsurance Assets

In case there is any indication as to the impairment of the reinsurance assets of the Group, which possesses the reinsured contract, the Group has to reduce the present value of the contracts and record the impairment in the statement of income. The impairment is recognized in the following cases only:

1. There is objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Group's inability to recover all the amounts under the contracts terms.
2. The event has a reliably and clearly measurable effect on the amounts that the Group will recover from the reinsure.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment (except land) are depreciated when its ready for use. Depreciation is computed on a straight-line basis using the following depreciation rates, and the depreciation expense is recorded in the interim consolidated statement of income:

	<u>%</u>
Building	2
Computers	20
Decorations	15-20
Tools, equipment and furniture	15
Furniture	10
Vehicles	15

Depreciation expense is calculated when property and equipment are ready for use.

Property and equipment under construction are stated at cost less impairment loss.

Assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the interim consolidated statement of income.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the interim consolidated statement of income.

Any item of property and equipment derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Pledged financial assets

Represent those financial assets pledged to other parties with the existence of the right of use for the other party (sale, repledge), A periodic review is performed for those properties as per the applicable accounting policies to evaluate each based on their respective class.

Intangible assets

Intangible assets acquired through business combinations are recorded at their fair value on that date, other intangible assets acquired through other way are measured on initial recognition at cost.

Intangible assets are classified based on either its estimated usual economic lives or indefinite useful lives. Intangible assets, with finite lives, are amortized over the useful economic lives and is in the income statement while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired, and any impairment is taken to the interim consolidated statement of income.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortized on a straight-line basis at 20% amortization rate.

Lease contract liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Provisions

Provisions are recognized when the Group has an obligation at the date of the financial statements as a result of past events, and the cost to settle the obligation are both probable and measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the financial statements date, taking into account the risks and uncertainties surrounding the obligation where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flow.

When it is expected to recover some or all amounts due from other parties, the due amount will be recognized within the assets if the value can be measured reliably.

A- Technical Reserves

Technical reserves are provided for in accordance with the Insurance Commission's instructions, as follows:

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.
2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.
3. Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Group.
4. Outstanding claims (Reported) provision is measured based on the Group's experience and estimations.
5. Unearned premiums reserve is measured based on the Group's experience and estimations.
6. Mathematical reserve is measured in accordance with the instruction and decisions issued by the Insurance Administration.

B- Provision for expected credit losses

The Group has applied the standard's simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on accounts receivable and checks under collection, The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors and economic environment.

C- End-of-service provision

The end of service reserve for employees is calculated based on the Group's policy and in accordance with Jordanian labor law.

The annual amounts paid to resigned employees as end of service are recorded to this account when paid, and a provision for the Group's obligation for the end-of-service is recorded in the interim consolidated statement of income.

Income Tax

Income tax represents accrued and deferred tax.

A- Accrued Income Tax

The accrued income tax expense is calculated based on taxable income, The taxable income differs from the actual income in the statement of income because the accounting income contains expenditures and revenues that are not tax deductible in the current year but in the preceding years or the accepted accumulated losses or any other not deductibles for tax purposes.

The taxes are calculated based on enacted tax percentages which are stated by laws and regulation in the Hashemite Kingdom of Jordan.

B- Deferred Tax

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences between the time value of the assets or liabilities in the interim condensed consolidated financial statements and the value that is calculated on the basis of taxable profit.

Deferred tax is provided using the liability method on temporary differences at the liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to allow all or part of deferred tax asset to be utilized.

Offsetting

Financial assets and financial liabilities are only offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition

A- Insurance policies

Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period, Unearned premiums are recorded according to insurance policy periods at the date of financial statements within the liabilities as unearned premium reserve.

Claims expenses are recognized in the interim consolidated statement of income based on the expected claim value to compensate policy holder or other affected parties.

B- Dividend and interest revenues

The Dividends revenues are realized when the shareholders have the right to receive the payment once declared by the General Assembly of Shareholders,

Interest revenues are recorded using the accrual basis based on the accrual periods, principle amount and interest rate,

Expenses recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the interim consolidated statement of income during the period it occurred in and all other expenditures are recognized using the accrual basis.

Insurance compensations

Insurance compensations represent paid claims during the year and change in outstanding claims reserve.

Insurance compensations payments during the year even for the current or prior years. Outstanding claims represent the highest estimated amount settle the claims resulting from events occurring before the date of the interim condensed consolidated financial statements but not settled yet. Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value

Recoverable scraped value is considered when recording the outstanding claim amount.

General and administrative expenses

General and administrative expenses are distributed to each insurance division separately. Moreover, 80% of the non-distributable general and administrative expenses is allocated to different insurance departments based on the ratio of written premiums of the department to total premiums.

Employee's expenses

The traceable employees' expenses are allocated directly to insurance departments, and 80% of un-allocated employee's expenses are allocated based on earned premiums per department to total premiums.

Insurance policy acquisition costs

Acquisition cost represent the cost incurred by the group for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in the interim consolidated statement of income.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the transactions dates.

Monetary assets and liabilities in foreign currencies are translated into JD at rates of exchange prevailing at the interim consolidated statement of financial position date as issued by Central Bank of Jordan.

Non-financial assets and non-monetary liabilities demimonde in foreign currencies at fair value are translated at the date of the determined fair value.

Any gains or losses are taken to the interim consolidated statement of income.

Translation gains or losses on non-monetary items are recorded as part of change in fair value.

Basis of consolidation of the interim condensed consolidated financial statements

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary are included in the interim consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The interim condensed consolidated financial statements comprise the financial statements of Gulf Insurance Group / Jordan (“the Company”) and its subsidiaries (referred to as “the Group”) as at 31 March 2023.

<u>Name of Company</u>	<u>Legal Status</u>	<u>Country</u>	<u>Ownership percentage</u>
Badeyet al Khaleej First Company for Management Consulting*	Limited liability	Jordan	100%
The Arabian Gulf Horizons Company for Management Consulting**	Limited liability	Jordan	100%

* Badeyet Al Khaleej First Company for Management Consulting, a limited liability Company, was established and registered at the Ministry of Industry and Trade on 29 December 2020 with a paid-in capital of JD 1,000 and is fully owned by the Arab Orient Insurance Company (Public Shareholding Company). The Company’s main objectives are to acquire, sell and mortgage movable and immovable assets to achieve the Company's objectives.

** The Arabian Gulf Horizons Company for Management Consulting, a limited liability Company, was established and registered at the Ministry of Industry and Trade on 29 December 2020, with a paid-in capital of JD 1,000 and is fully owned by the Arab Orient Insurance Company (Public Shareholding Company). The Company’s main objectives are to acquire, sell and mortgage movable and immovable assets to achieve the Company's objectives.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, in the event that the group has directly excluded its assets or liabilities.

The interim condensed consolidated financial statements of the Company and the subsidiary are prepared for the same financial year, using the same accounting policies.

All intra-group transactions, balances, income, expenses between members of the Group are eliminated in full on consolidation.

Use of Estimates

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The details of significant estimates made by management as follows:

- A provision for expected credit losses is estimated by the management based on their principles and assumptions according to International Financial Reporting Standards.
- The financial year is charged with its related income tax in accordance with laws and regulations.
- The management periodically reviews tangible and intangible assets useful life in order to calculate the depreciation and amortization amount depending on the status of these assets and future benefit, The impairment loss (if any) appears on the interim consolidated statement of income.
- The outstanding claims reserve and technical reserve are estimated based on technical studies and according to insurance commission regulation and filed actuarial studies.
- A provision on lawsuit against the Group is made based on the Group's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- The management periodically reviews whether a financial asset or group of financial assets is impaired, if so, this impairment is taken to the interim consolidated statement of income for the year.
- The management of the Group assesses the factors that affect the measurement of the right of use assets and lease liabilities related to them and takes into account all the factors related to the option to extend or renew the lease contracts, noting that the management conducts tests to determine whether the contract contains rent. Management also uses estimates to determine the appropriate discount rate to measure lease contracts liabilities.

GULF INSURANCE GROUP / JORDAN PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2023

(3) BANK DEPOSITS

	31 March 2023			31 December 2022	
	Deposits maturing in 1 month	Deposits maturing in 1 month to 3 months	Deposits maturing in 3 months to 1 year	Total	Total
	JD	JD	JD	JD	JD
				(Unaudited)	(Audited)
Inside Jordan	-	-	62,742,853	62,742,853	66,922,562

Interest rates on bank deposit balances in Jordanian Dinar range between 3.75% to 6.5% during the period of the year 2023 (2022: 3.75% to 6.25%).

Deposits pledged to the benefit of the Governor of the Central Bank of Jordan amounted to JD 800,000 as at 31 March 2023 (31 December 2022: JD 800,000).

There are no restricted balances except for restricted balances which represent pledged deposits in favor of the Governor of the Central Bank of Jordan.

Below is the distribution of the Company's bank deposits:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Jordan Kuwait Bank	10,748,362	21,655,916
Cairo Amman Bank	11,620,758	11,436,640
Capital Bank of Jordan	7,019,069	10,338,288
Jordan Commercial Bank	5,984,929	5,984,929
Housing Bank	3,000,000	-
Egyptian Arab Land Bank	7,386,218	5,232,422
Al Etihad Bank	3,754,171	3,670,950
Arab Banking Corporation Bank	4,243,971	3,187,457
Jordan Ahli Bank	2,734,095	1,673,192
Bank of Jordan	674,739	674,739
Invest Bank	5,676,541	3,168,209
	62,842,853	67,022,562
Less: Expected credit losses provision	(100,000)	(100,000)
	62,742,853	66,922,562

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(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 March 2023	31 December 2022	31 March 2023	31 December 2022
<u>Inside Jordan:</u>	Number of shares (Unaudited)	Number of shares (Audited)	JD (Unaudited)	JD (Audited)
Listed Shares:				
Afaq for Energy Company	724,937	1,140,147	1,957,330	2,097,871
Afaq for Investment and Real Estate Development Company	1,541,500	1,541,500	1,464,425	1,464,425
Cairo Amman Bank	113,000	113,000	159,330	151,420
Jordan Kuwait Bank	934,809	588,234	<u>1,748,093</u>	<u>970,586</u>
			<u>5,329,178</u>	<u>4,684,302</u>
Unlisted shares:				
Saraya Aqaba Real Estate Development Company	500,000	500,000	154,880	154,880
Al-Motarabetah Investment Company	29,851	29,851	<u>9,579</u>	<u>9,579</u>
			<u>164,459</u>	<u>164,459</u>
			<u>5,493,637</u>	<u>4,848,761</u>
<u>Outside Jordan:</u>				
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	Number of shares (Unaudited)	Number of shares (Audited)	JD (Unaudited)	JD (Audited)
Listed shares:				
Gulf Warehousing Company	685,000	685,000	494,181	534,999
Safa Bank / Palestine	9,562	9,562	<u>5,423</u>	<u>5,423</u>
			<u>499,604</u>	<u>540,422</u>
Unlisted shares:				
Iraq International Insurance Company	482,195,655	482,195,655	<u>171,000</u>	<u>171,000</u>
			<u>670,604</u>	<u>711,422</u>
Financial assets at fair value through other comprehensive income			<u>6,164,241</u>	<u>5,560,183</u>

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(5) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2023	31 December 2022	31 March 2023	31 December 2022
<u>Outside Jordan:</u>	Number of shares (Unaudited)	Number of shares (Audited)	JD (Unaudited)	JD (Audited)
Listed Shares:				
Riyad Bank	102,400	-	574,203	-
Saudi National Bank	63,300	-	547,964	-
			<u>1,122,167</u>	<u>-</u>

(6) FINANCIAL ASSETS AT AMORTIZED COST

	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	Number of bonds (Unaudited)	Number of bonds (Audited)	JD (Unaudited)	JD (Audited)
<u>Inside Jordan-</u>				
Unlisted Bonds in financial markets				
Arab Real Estate Development Company	120	120	1,200,000	1,200,000
Listed bonds in financial markets				
Treasury bonds/ Hashemite Kingdom of Jordan	2,500	2,500	1,801,986	1,803,710
Treasury bonds/ Hashemite Kingdom of Jordan	2,000	2,000	1,430,169	1,431,151
Treasury bonds/ Hashemite Kingdom of Jordan	2,000	2,000	1,425,914	1,426,374
Treasury bonds/ Hashemite Kingdom of Jordan	1,330	1,330	947,411	947,669
Treasury bonds/ Hashemite Kingdom of Jordan	1,000	1,000	711,556	711,762
Treasury bonds/ Hashemite Kingdom of Jordan	1,000	1,000	710,134	710,225
Treasury bonds/ Hashemite Kingdom of Jordan	1,000	1,000	702,498	703,725
Treasury bonds/ Hashemite Kingdom of Jordan	1,000	1,000	704,013	702,124
Treasury bonds/ Hashemite Kingdom of Jordan	1,000	1,000	697,582	696,928
Treasury bonds/ Hashemite Kingdom of Jordan	2,000	-	1,464,085	-
Total financial assets at amortized cost				
inside Jordan			<u>11,795,348</u>	<u>10,333,668</u>

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	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	Number of bonds (Unaudited)	Number of bonds (Audited)	JD (Unaudited)	JD (Audited)
<u>Outside Jordan-</u>				
Treasury bonds/ Egypt	4,000	4,000	2,592,898	2,545,545
Treasury bonds/ Saudi Arabia	3,000	-	2,064,254	-
First Abu Dhabi Bank	2,500	-	1,756,398	-
Total financial assets at amortized cost outside Jordan			<u>6,413,550</u>	<u>2,545,545</u>
Total financial assets at amortized cost			18,208,898	12,879,213
Less: provision for impairment of financial assets at amortized cost			<u>(1,299,000)</u>	<u>(1,299,000)</u>
			<u>16,909,898</u>	<u>11,580,213</u>

(7) LIFE POLICYHOLDER'S LOANS

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Loans to life policyholders which do not exceed the surrender value	-	<u>11,757</u>

(8) ACCOUNTS RECEIVABLE

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Policy holders' receivables*	38,880,474	32,462,164
Brokers receivables*	2,460,406	2,464,365
Employees' receivables	190,338	98,564
Other receivables	1,041,706	1,022,380
	<u>42,572,924</u>	<u>36,047,473</u>
Less: Provision for expected credit losses**	<u>(9,264,339)</u>	<u>(9,271,339)</u>
	<u>33,308,585</u>	<u>26,776,134</u>

* Accounts receivable include scheduled payments with the total amount of JD 23,833,187 as at 31 March 2023 (JD 17,760,881 as at 31 December 2022).

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** Movements on the provision for expected credit losses were as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	9,271,339	10,005,284
Expected credit losses provision for the period/ year	-	191,381
Receivables written-off	-	(469,023)
Transferred to a provision for doubtful receivables for re-insurance receivables (note 9)	(7,000)	(256,303)
Transferred to provision for expected credit loss for deposits at banks	-	(100,000)
Transferred to provision for impairment on financial assets at amortized cost	-	(100,000)
Balance at the end of the period / year	<u>9,264,339</u>	<u>9,271,339</u>

(9) REINSURANCE RECEIVABLE

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Local insurance companies	2,238,080	2,007,976
Foreign reinsurance companies	454,410	794,826
	<u>2,692,490</u>	<u>2,802,802</u>
Less: Provision for expected credit losses*	(1,258,004)	(1,151,004)
	<u>1,434,486</u>	<u>1,651,798</u>

* Movements on the provision for expected credit losses were as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	1,151,004	886,170
Provision for the period/ year	100,000	-
Transferred from allowance for expected credit losses for cheques under collection	-	8,531
Transferred to provision for expected credit losses on accounts receivable	7,000	256,303
Balance at the end of the period/ year	<u>1,258,004</u>	<u>1,151,004</u>

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(10) INCOME TAX

A- Income tax provision

Movements on the income tax provision were as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	216,755	2,483,394
National contribution tax	62,991	169,769
Accrued taxes for investments outside Jordan	9,547	49,196
Income tax paid	(200,099)	(2,756,615)
Income tax paid on interest income	-	271,011
Balance at the end of the period/ year	<u>89,194</u>	<u>216,755</u>

The income tax expense appears in the interim consolidated statement of income represents the following:

	31 March 2023	31 March 2022
	JD (Unaudited)	JD (Unaudited)
Accrued taxes for investments outside Jordan	9,547	-
National contribution tax	62,991	35,265
Additions on deferred tax assets	(147,524)	259,434
	<u>(74,986)</u>	<u>294,699</u>

Gulf Insurance Group / Jordan became exempt from income tax as at 17 November 2021 for a period of three years due to its merger with Arab Life and Accident Insurance Company, in accordance with the decision of the prime ministry No. (12583) dated 19 November 2015 in accordance with Article (8/B) of Investment Law No. 30 of 2014.

Final settlement for income tax was reached with the Income and Sales Tax Department until the end of the year 2019.

Income tax return was submitted for the years 2022, 2021, and 2020. The Income and Sales Tax Department have reviewed the tax returns but have not issued its final decision as at the date of the interim condensed consolidated financial statements. In the opinion of the management and the Company's tax advisor, the income tax provision is sufficient to meet any tax obligations.

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B- Deferred tax assets

	31 March 2023				31 December 2022		
	Balance at the beginning of the period	Balances related to the merged Company	Released Amounts	Additions	Balance at the end of the period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD	JD
Deferred tax assets:						(Unaudited)	(Audited)
Provision for expected credit losses on accounts receivable and provision for doubtful debt for reinsurance receivables	3,321,298	-	-	-	3,321,298	863,537	863,537
Impairment loss on financial asset	1,199,000	-	-	-	1,199,000	311,740	311,740
Provision for incurred but not reported claims	5,365,098	-	-	329,426	5,694,524	1,480,577	1,394,926
Provision for end-of-service indemnity	2,417,525	-	-	137,975	2,555,500	664,430	628,557
Premium deficiency reserve	1,307,000	-	-	100,000	1,407,000	365,820	339,820
	<u>13,609,921</u>	<u>-</u>	<u>-</u>	<u>567,401</u>	<u>14,177,322</u>	<u>3,686,104</u>	<u>3,538,580</u>

Movements on deferred tax assets were as follows:

	31 March 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	3,538,580	3,739,493
Additions	147,524	-
Deductions, net	-	(200,913)
Balance at the end of the period/year	<u>3,686,104</u>	<u>3,538,580</u>

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(11) ACCOUNTS PAYABLE

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Trade and companies' payables	2,595,543	3,862,219
Medical network payables	1,848,651	2,155,471
Agents' payables	712,182	584,221
Garages payables and vehicles parts	227,479	476,241
Employees' payables	25,640	37,180
	<u>5,409,495</u>	<u>7,115,332</u>

(12) REINSURANCE PAYABLES

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Foreign reinsurance Companies	30,884,593	22,386,285
Local insurance Companies	321,455	357,947
	<u>31,206,048</u>	<u>22,744,232</u>

(13) AUTHORIZED AND PAID-IN CAPITAL

The authorized and paid-in capital is JD 26,000,000 divided into 26,000,000 shares at par value of JD 1 each as at 31 March 2023.

(14) SUBORDINATED LOAN

On 15 November, 2017, the Company borrowed from Gulf Insurance Group an amount of (USD 16,361,071) equivalent to JD 11,600,000 as a subordinated loan to increase the Company solvency margin in line with the Insurance Administration Instruction No.3 of 2002 and the decisions issued there under. This loan bears no interest and no maturity or repayment schedule. During 2019, the Company paid back an amount of (USD 3,667,137) equivalent to JD 2,600,000. and during 2020, the Company paid back an amount of (USD 4,231,312) equivalent to JD 3,000,000. Also, during 2021, the Company made a payment of (USD 4,231,312) equivalent to JD 3,000,000, and during 2022, the Company paid back an amount of (USD 2,118,644) equivalent to JD 1,500,000. During the first quarter of 2023, the Company paid the full amount of the subordinated loan in the amount of (USD 2,118,644) equivalent to JD 1,500,000.

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(15) BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD

	For the three months ended 31	
	March	
	2023	2022
	(Unaudited)	(Unaudited)
Profit for the period (JD)	3,055,139	2,466,411
Weighted average number of shares (Share)	26,000,000	26,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share for the period	0.118	0.95
Basic and diluted earnings per share for the period from continuing operations	0.118	0.95

(16) CASH AND CASH EQUIVALENTS

	31 March	31 December
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand and at banks	3,671,883	946,687
Add: Deposits at banks	62,742,853	59,001,111
Less: Deposits at banks with original maturity date of more than three months	(61,942,853)	(57,947,411)
Less: Restricted deposits to the favor of Governor of the Central Bank of Jordan	(800,000)	(639,350)
Add: Cash related to discontinued operations assets	733,094	730,485
Net cash and cash equivalents at the end of the period	4,404,977	2,091,522

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(17) RELATED PARTY TRANSACTIONS

The group entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the Company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as at 31 March 2023.

Below is a summary of related parties balances and transactions during the period / year:

	Related parties			Total	Total
	Jordan Kuwait Bank (Shareholder- Subsidiary of the ultimate parent Company) JD	Gulf Insurance Company (parent Company) JD	Top Executive Management JD	31 March 2023 JD (Unaudited)	31 December 2022 JD (Audited)
<u>Interim Consolidated Statement of</u>					
<u>Financial Position Items:</u>					
Time deposits	10,748,362	-	-	10,748,362	21,655,916
Overdraft account – under demand	52,800	-	-	52,800	152,128
Current accounts	2,808,465	-	-	2,808,465	216,540
Deposits on letters of guarantee	458,667	-	-	458,667	400,659
Accounts receivable/ payable	865,317	(987,767)	(26,630)	(149,080)	(1,586,929)
Subordinated loan	-	-	-	-	1,500,000
Financial assets at fair value through other comprehensive income	1,748,093	-	-	1,748,093	970,586
<u>Off-statement of interim consolidated</u>					
<u>Financial Position Items:</u>					
Letters of guarantee	3,468,620	-	-	3,468,620	4,006,590

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	Related party		Total	Total
	Jordan Kuwait Bank (Shareholder- Subsidiary of the ultimate parent Company) JD	Top Executive Management JD	31 March 2023 JD (Unaudited)	31 March 2022 JD (Unaudited)
<u>Interim consolidated Statement of Income</u>				
<u>Items:</u>				
Bank interest income	213,908	-	213,908	138,186
Insurance premiums	2,256,113	4,113	2,260,226	2,491,075
Bank expenses and commissions	49,682	-	49,682	34,369
Salaries	-	367,663	367,663	256,788
Bonuses	-	351,273	351,273	337,975
Transportation expenses for members of the Board of Directors	-	12,600	12,600	12,600
Bonuses expenses for members of the Board of Directors	-	18,750	18,750	18,750
Board of Directors committees' bonus	-	3,000	3,000	3,000

Top Executive management (salaries, bonuses, and other benefits) are as follows:

	31 March 2023 JD (Unaudited)	31 March 2022 JD (Unaudited)
Salaries and bonuses	718,936	594,763

(18) ANALYSIS OF MAIN SECTORS

Information on the Company's business sectors

For management purposes the Group was organized to include the general insurance sector including (insurance on motor, marine, fire and property, liability, medical). This sector constitutes the basis that the Group uses to show information related to key sectors. The above sector also includes investments and cash management for the Group account. The activities between the business sectors are performed based on commercial basis, under the same terms as with others.

(19) LAWSUITS BY AND AGAINST THE COMPANY

The Group appears as defendant in a number of lawsuits, the Group booked a sufficient provision to meet any obligations towards these lawsuits. In the opinion of the Group's management and legal consultant, the provision for a total amount of JD 5,464,740 as at 31 March 2023 (31 December 2022: JD 5,726,043) is sufficient to meet any obligations towards these lawsuits. Total amount of the cases raised by the Group within its activity is JD 8,303,050 as at 31 March 2023 (31 December 2022: JD 8,245,310).

(20) CONTINGENT LIABILITIES

At 31 March 2023, the Group had letters of guarantee amounting JD 3,468,620 (31 December 2022: 4,030,702) against cash margins of JD 346,862 (31 December 2022: JD 403,070).

(21) DIVIDENDS

The Board of Directors, in its meeting held on 27 February 2023, recommended to the General Assembly of Shareholders to approve the distribution of 15% cash dividends to the shareholders which is equivalent to JD 3,900,000. This recommendation is subject to the approval of the Central Bank.

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(22) STATEMENT OF FINANCIAL POSITION FOR LIFE

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Assets -		
Deposits at banks	765,217	765,217
Financial assets at fair value through the statement of other comprehensive income	697,582	-
Life policyholders' loans	-	11,757
Total investments	<u>1,462,799</u>	<u>776,974</u>
Cash on hand and at banks	60,824	46,781
Account receivable	78,873	78,428
Reinsurance receivables	68,728	67,433
Total assets	<u>1,671,224</u>	<u>969,616</u>
Liabilities and head office current account		
Technical reserves -		
Outstanding claim reserve, net	51,507	44,259
Mathematical reserve, net	517,867	534,910
Total technical reserves	<u>569,374</u>	<u>579,169</u>
Accounts payable	47,270	71,424
Reinsurance payables	631,726	495,982
Other liabilities	127,692	127,373
Total Liabilities	<u>806,688</u>	<u>694,779</u>
Head office current account	295,162	(304,332)
Total liabilities	<u>1,671,224</u>	<u>969,616</u>