

ARABIA INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2023

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ARABIA INSURANCE COMPANY – JORDAN
PUBLIC SHAREHOLDING COMPANY
AMMAN – JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of Arabia Insurance Company - Jordan a public shareholding company (The “Company”) as at 30 September 2023, comprising of interim condensed statement of financial position as at 30 September 2023, and interim condensed income statement, interim condensed statement of comprehensive income, interim condensed statement of changes in equity, and interim condensed statement of cash flows for the nine-month period then ended and it’s explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with accounting policies stated in note (2). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with 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 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 of use

We draw attention to note (2) to the attached interim financial statements, which describes the accounting policies used. The financial statements are prepared for the purposes of compliance with the reporting requirements of the Insurance Management Department of the Central Bank of Jordan. As a result, the financial statements may not be suitable for another purpose and it is intended only for the use of management, Insurance Management Department and the Securities Commission and should not be used by other parties. This matter does not modify our conclusion about the interim financial statements.

ARABIA INSURANCE COMPANY- JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Notes	30 September 2023 JD (Unaudited)	31 December 2022 JD (Audited)
<u>Assets</u>			
Investments -			
Deposits at banks, net	3	10,307,763	9,521,944
Financial assets at fair value through income statement	4	2,910,001	2,870,889
Financial assets at fair value through other comprehensive income	5	2,496,838	2,055,004
Financial assets at amortized cost, net	6	1,489,440	1,322,072
Investment properties, net	7	1,923,612	1,963,572
Life policyholders' loans		11,065	13,755
Total Investments		19,138,719	17,747,236
Other Assets -			
Cash on hand and at banks	19	677,392	1,060,565
Checks under collection, net	8	1,050,316	836,763
Accounts receivable, net	9	5,005,049	3,898,487
Reinsurers' receivable, net	10	705,935	1,107,642
Deferred tax assets	13	1,286,215	1,489,938
Property and equipment, net		2,066,642	2,120,101
Intangible assets, net		88,612	104,428
Other assets		3,018,128	2,787,561
Total Assets		33,037,008	31,152,721
<u>Liabilities and Shareholders' Equity</u>			
Technical Reserves -			
Unearned premiums reserve, net		8,024,828	7,866,982
Outstanding claims reserve, net		8,300,398	8,187,468
Unallocated loss adjusted expenses reserve		100,000	100,000
Premium deficiency reserve		200,000	200,000
Mathematical reserve, net		449,932	469,932
Total Technical Reserves		17,075,158	16,824,382
Other Liabilities -			
Accounts payable	11	861,121	792,499
Reinsurers' payable	12	2,661,117	2,218,949
Deferred tax liabilities	13	829,329	774,022
Accrued expenses		221,028	176,252
End-of-service provision		11,564	14,946
Other liabilities		192,908	198,823
Total Technical Reserves and Other Liabilities		21,852,225	20,999,873
Shareholders' Equity -			
Authorized and paid-in capital	14	8,000,000	8,000,000
Statutory reserve	15	1,381,765	1,381,765
Voluntary reserve	15	174,717	174,717
Fair value reserve	16	(449,989)	(404,532)
Retained earnings		1,000,898	1,000,898
Profit for the period		1,077,392	-
Total Shareholders' Equity		11,184,783	10,152,848
Total Liabilities and Shareholders' Equity		33,037,008	31,152,721

The attached notes 1 to 24 form part of these interim condensed financial statements

ARABIA INSURANCE COMPANY- JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED INCOME STATEMENT
FOR THE THREE- AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023	2022	2023	2022
		JD	JD	JD	JD
Revenues –					
Gross written premiums		7,527,161	6,891,991	21,246,468	20,641,112
Less: reinsurers' share		2,829,129	2,737,814	9,008,063	8,019,945
Net written premiums		<u>4,698,032</u>	<u>4,154,177</u>	<u>12,238,405</u>	<u>12,621,167</u>
Net change in unearned premium reserve		(600,699)	(385,437)	(157,846)	(2,058,734)
Net change in mathematical reserve		-	-	20,000	-
Net earned premium		<u>4,097,333</u>	<u>3,768,740</u>	<u>12,100,559</u>	<u>10,562,433</u>
Commissions income		312,574	283,327	940,674	846,853
Insurance policies issuance fees		255,606	245,939	789,688	688,108
Interest income		197,209	116,998	526,704	328,397
Net gain (loss) from financial assets and investments	17	(23,225)	10,194	400,468	756,269
Other revenues related to underwriting accounts		89,235	42,235	233,168	139,756
Total revenues		<u>4,928,732</u>	<u>4,467,433</u>	<u>14,991,261</u>	<u>13,321,816</u>
Claims, losses and expenses –					
Paid claims		4,818,527	4,464,035	14,732,580	13,576,643
Add: maturity and surrender of insurance policies		25,302	6,690	62,095	32,445
Less: recoveries		370,549	471,346	1,116,655	1,231,293
Less: reinsurers' share		1,219,063	873,201	3,704,652	2,983,479
Net paid claims		<u>3,254,217</u>	<u>3,126,178</u>	<u>9,973,368</u>	<u>9,394,316</u>
Net change in outstanding claims reserve		137,561	(23,696)	(60,681)	(63,211)
Allocated employees' expenses		347,654	328,868	1,119,385	1,006,968
Allocated general and administrative expenses		135,473	163,659	443,451	522,306
Excess of loss premium		81,440	25,978	162,880	88,246
Policies acquisition costs		431,114	348,668	1,214,709	1,049,631
Other expenses related to underwriting accounts		45,178	98,483	208,117	227,736
Net claims costs		<u>4,432,637</u>	<u>4,068,138</u>	<u>13,061,229</u>	<u>12,225,992</u>
Unallocated employees' expenses		86,913	82,217	279,846	251,741
Unallocated general and administrative expenses		33,868	40,915	110,863	130,577
Depreciation and amortization		25,811	25,180	77,539	77,925
Provision for expected credit losses		1,254	1,509	5,851	23,929
Total expenses		<u>147,846</u>	<u>149,821</u>	<u>474,099</u>	<u>484,172</u>
Profit for the period before tax		<u>348,249</u>	<u>249,474</u>	<u>1,455,933</u>	<u>611,652</u>
Income tax expense	13	(90,541)	(64,874)	(378,541)	(190,349)
Profit for the period		<u>257,708</u>	<u>184,600</u>	<u>1,077,392</u>	<u>421,303</u>
		<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share	18	<u>0/032</u>	<u>0/023</u>	<u>0/135</u>	<u>0/053</u>

The attached notes 1 to 24 form part of these interim condensed financial statements

ARABIA INSURANCE COMPANY – JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE- AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	JD	JD	JD	JD
Profit for the period	257,708	184,600	1,077,392	421,303
Add: other comprehensive income items after tax not to be classified to income in subsequent periods				
Change in fair value of financial assets through other comprehensive income	21,390	(12,140)	(45,457)	16,414
Total comprehensive income for the period	279,098	172,460	1,031,935	437,717

The attached notes 1 to 24 form part of these interim condensed financial statements

ARABIA INSURANCE COMPANY – JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

	Authorized and paid-in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Profit for the period	Total
	JD	JD	JD	JD	JD	JD	JD
For the nine months ended 30 September 2023							
Balance as at 1 January 2023	8,000,000	1,381,765	174,717	(404,532)	1,000,898	-	10,152,848
Total comprehensive income	-	-	-	(45,457)	-	1,077,392	1,031,935
Balance as at 30 September 2023	<u>8,000,000</u>	<u>1,381,765</u>	<u>174,717</u>	<u>(449,989)</u>	<u>1,000,898</u>	<u>1,077,392</u>	<u>11,184,783</u>
For the nine months ended 30 September 2022							
Balance as at 1 January 2022	8,000,000	1,381,765	174,717	(452,741)	1,299,451	-	10,403,192
Total comprehensive income	-	-	-	16,414	-	421,303	437,717
Balance as at 30 September 2022	<u>8,000,000</u>	<u>1,381,765</u>	<u>174,717</u>	<u>(436,327)</u>	<u>1,299,451</u>	<u>421,303</u>	<u>10,840,909</u>

The attached notes 1 to 24 form part of these interim condensed financial statements

ARABIA INSURANCE COMPANY – JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)

	Notes	For the nine months ended 30 September	
		2023	2022
		JD	JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit for the period before tax		1,455,933	611,652
Adjustments for non-cash items			
Depreciation and amortization		77,539	77,925
Investment properties depreciation	7	39,960	39,961
Net change in unearned premiums reserve		157,846	2,058,734
Net change in outstanding claims reserve		(60,681)	(63,211)
Net change in mathematical reserve		(20,000)	-
End-of-service provision		11,002	10,461
Provision for expected credit loss		5,851	23,929
Net change in financial assets at fair value through income statement		(39,112)	(449,649)
Interest income		(526,704)	(328,397)
Cash flows from operating activities before changes in working capital		1,101,634	1,981,405
Cheques under collection		(215,710)	(299,418)
Accounts receivable		(1,106,562)	(1,189,584)
Reinsurers' receivable		401,707	243,798
Other assets		(67,857)	(60,277)
Accounts payable		68,622	(438,247)
Reinsurers' payable		442,168	16,873
Accrued expenses		44,776	161,935
Other liabilities		(5,915)	5,009
End-of-service paid		(14,384)	-
Net cash flows from operating activities before income tax		648,479	421,494
Income tax paid	13	(53,149)	(28,380)
Net cash flows from operating activities		595,330	393,114
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Bank deposits (maturing after three months)		(4,982,562)	(4,259,068)
Purchase of financial assets at amortized cost		(170,000)	(212,700)
Sale of financial assets at amortized cost		-	300,000
Purchase of property and equipment		(7,381)	(22,487)
Purchase of intangible assets		(883)	(25,830)
Purchases of financial assets at fair value through income statement		-	(176,577)
Purchase of financial assets at fair value through other comprehensive income		(503,263)	-
Proceeds from sale of financial assets at fair value through income statement		-	19,223
Interest received		487,215	337,121
Life policyholders' loans		2,690	-
Net cash flows used in investing activities		(5,174,184)	(4,040,318)
Net decrease in cash and cash equivalents		(4,578,854)	(3,647,204)
Cash and cash equivalents at the beginning of the period		6,963,185	6,606,825
Cash and cash equivalents at the end of the period	19	2,384,331	2,959,621

The attached notes 1 to 24 form part of these interim condensed financial statements

(1) GENERAL

Arabia Insurance Company - Jordan was established in 1975 and registered as a Jordanian Public Shareholding Company with headquarters in Amman - Jordan with an authorized capital of JD 2,000,000 divided into 2,000,000 shares, with a par value of JD 1 per share. The Company's capital was increased on several occasions, the last of which was on February of 2008 to become JD 8,000,000 divided into 8,000,000 shares.

The Company is engaged in insurance and re-insurance business including life and general insurance (motors insurance, transport insurance, fire insurance, other damage to property and liability insurance, and the life insurance sector).

According to the resolution of the General Assembly of the shareholders on 30 April 2012, the name of the company was changed on 31 May 2012 to "Arabia Insurance Company - Jordan" instead of "Arabia General Insurance Company".

Arabia Insurance Company - Jordan is 51% owned by Arabia Company (Holding Company - Lebanon).

The financial statements are consolidated with parent company – Arabia Company (Holding Company - Lebanon).

The interim condensed financial statements were approved for issuance by the board of directors in its meeting No. (4) held on 26 October 2023.

(2-1) Basis of preparation

The interim condensed financial statements for the nine months ending on 30 September 2023 were prepared in accordance with the instructions of the Insurance Management Department of the Central Bank in their letter No. 17/1/12675 dated 20 July 2023 and in accordance with the accounting policies followed by the Company set out below, as the company did not apply the International Financial Reporting Standard No. (17) effective from 1 January 2023, and continued to prepare the financial statements in accordance with the International Financial Reporting Standard No. (4) according to the instructions of the aforementioned regulatory authorities.

The Jordanian Dinar is the functional and reporting currency of the interim condensed financial statements.

The interim condensed financial statements have been prepared on historical cost convention, except for financial assets at fair value through income statement and financial assets at fair value through other comprehensive income (OCI) which have been measured at fair value at the reporting date.

The interim condensed financial statements do not contain all information and disclosures required for the annual financial statements and should be read in conjunction with the Company's financial statement as of 31 December 2022. In addition, results for the nine-month period ended 30 September 2023 do not necessarily represent an indication of the expected results for the financial year ending 31 December 2023.

Financial assets date of recognition

Purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Fair Value

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

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 is 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 statement of income.

The amount of the impairment consists of the difference between the book value and present value of the expects 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 statement of income.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the statement of income.

C. Financial assets at fair value through income statement

It is the financial assets purchased by the company for the purpose of trading in the near future and achieving gains from the fluctuations in the short-term market prices or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded in the statement of income upon acquisition) and subsequently measured in fair value. Moreover, changes in fair value are recorded in the statement of income including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets or part of them are taken to the statement of income.

Dividends and interests from these financial assets are recorded in the statement of income.

It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standard.

Investment Properties

Investment properties are stated at cost less accumulated depreciation and are depreciated (excluding lands) using the straight-line depreciation method over its casted useful life with percentage between 2% to 12%.

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, cash balances with banks and deposit with financial institutions maturing within three months, less bank overdrafts and restricted balances.

Reinsurance Accounts

Reinsurers shares of insurance premiums, paid claims, technical reserve, and all other rights and obligations resulting are calculated based on signed contracts between the Company and reinsures are accounted for based on accrual basis.

Reinsurance

The Company engages within its normal activities a variety of inward and outward reinsurance operations with other insurance and reinsurance firms which involves different level of risks. The reinsurance operations include Quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance contracts do not eliminate the Company's liability towards policy holders, where in the case the reinsurance fails to cover its portion of total liability, the Company bears the total loss. Therefore, the Company provides for the unrecovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Company's portion 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 Company, which possesses the reinsured contract, the Company 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 Company'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 Company will recover from reinsures.

Insurance policy acquisition cost

Insurance policies issuance cost represents commissions paid to intermediaries and other direct costs incurred in relation to the issuance and renewal of insurance contracts. These acquisition costs are recorded in the statement of income.

Property and equipment

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

	%
Buildings	2
Office equipment	10
Computers	12
Vehicles	15
Furniture and interior fittings	6
Air conditions	10
Decorations	15
Boards	20
Elevators	10
Safety and security systems	12
Transformers and generators	10

Depreciation expense is calculated when property and equipment is ready for use, property and equipment under construction is stated at cost less impairment loss.

Property and equipment are written down to their recoverable amount, when its recoverable amounts less than the net book value. The impairment loss is recorded in the statement of income.

The useful lives of property and equipment 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 statement of income.

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

Intangible assets

Intangible assets are recorded at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the financial statements date, and impairment loss is recorded in the statement income.

Intangible assets include computer programs which are recorded at cost. These assets were amortized by using the straight-line method on the useful life using a percentage of 12% annually.

Pledged financial assets

Represent those financial assets pledged to other parties with the existence of the right of use for the other party (sale, pledge). A periodic review is performed for those assets. According to the relevant according policies based on original classifications.

Provisions

Provisions are recognized when the Company 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 preset 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 to the Insurance Administration'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 Company.
4. Unearned premiums reserve is measured based on the Company's experience and estimations.
5. Mathematical reserve is measured in accordance with the instruction and decisions issued by The Insurance Administration.

B- Provision for expected credit losses

The company has applied the standers simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit loss on all its financial instruments. The company has established a provision matrix that is based on the company historical credit loss experience, adjusted for formed- looking factors specific to the debtors and economic environment.

C- End of service provision

The end of service provision for employees is calculated based on the Company's policy which in compliance with Jordanian labor law.

The paid amounts as end of service for resigned employees are debited to this account. The Company obligation for the end of service is recorded in the statement of income.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the statement of income.

Income Tax

Income tax represents current and deferred income 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 nondeductible expenditures and nontaxable revenues in the current year but in the preceding years or the accepted accumulated losses or any other nontaxable or deductibles for tax purposes.

The taxes are calculated based on the laws and regulation in the countries were the Company carry on its operation.

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 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 off setted and the net amount is reported in the statement of financial position when there is a legally enforceable rights to set off the recognized amounts and the company 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.

Claims expenses are recognized in the statement of income based on the expected claim value to compensate the insurance policyholder or other parties.

B- Dividend and interest income

The dividends revenues are realized when the shareholder has the right to receive the payment once declared by the General Assembly of Shareholders.

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

C- Rental income

Rental income from investment properties is accounted for using the straight- line basis over the lease terms.

Expenditures recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the statement of income during the year which it occurred. And in all 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 includes payments made during the year even for the current or prior years.

Outstanding claims represent the highest estimated amount to settle the claims resulting from events occurring before the date of 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.

Employees' 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 cost

Acquisition cost represent the cost incurred by the company for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in 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 Jordanian Dinar at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.

Non-monetary assets and liabilities in foreign currencies are translated into respective functional currencies at fair value at the respective date.

Gains and losses resulting from foreign currencies translation shall be recorded in the statement of income.

Translation differences on non-monetary items carried at fair value (such as stocks) are included as part of the changes in fair value.

(2-2) Business Segment

The business segment 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 executive officer and decision maker of the Company.

The geographic segment is related to providing products and services in a specific economic environment subject to risks and returns different from those of other economic environments.

(2-3) Use of Estimates

The preparation of the interim condensed financial statements requires Company's 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, expenses and provisions, as well as the changes in fair value that appear in equity. It's required from the Company's management to make an important judgments to estimate the amounts and times of future cash flows. The estimates are necessarily based on multiple assumptions and factors that have varying degrees of estimation, uncertainty, and the actual results may differ from the estimates as a result of changes resulting from the conditions and circumstances of those estimates in the future.

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The details of significant estimates made by management are as follows:

- A provision for expected credit losses is estimated based on their principles and assumptions approved by the Company's management to estimate the provision to be established.
- The financial year is charged with its related income tax in accordance with regulations.
- The management periodically reviews tangible assets useful life in order to calculate the depreciation amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the interim condensed statement of income.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to Insurance Administration regulation. Also mathematical reserve and IBNR are calculated based on actuarial studies.
- A provision on lawsuit against the Company is made based on the Company's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.

(3) DEPOSITS AT BANKS

This item consists of the following:

	30 September 2023			31 December 2022
	Deposits Maturing Within a Month	Deposits Maturing Within Three Months	Deposits Maturing after Three Months	Total
	JD	JD	JD	JD
				(Unaudited)
				(Audited)
Inside Jordan	516,939	1,190,000	8,614,758	10,321,697
Less: Provision for expected credit losses *	(698)	(1,606)	(11,630)	(13,934)
	<u>516,241</u>	<u>1,188,394</u>	<u>8,603,128</u>	<u>10,307,763</u>
				<u>9,521,944</u>

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* The movement on the provision for expected credit losses is as follows:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	12,872	11,971
Additions during the period / year	1,062	901
Balance at the end of the period / year	13,934	12,872

Interest rates on Bank deposits in Jordanian Dinar range from 4% to 6.8% for the period ended 30 September 2023 (30 September 2022: from 4% to 5.5%).

Deposits pledged in favor of the Central Bank Governor in addition to his position amounted to JD 834,758 as at 30 September 2023 (31 December 2022: JD 805,196) at Jordan Ahli Bank and it matures within a year.

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Shares		
Inside Jordan -		
Quoted Shares in Amman Stock Exchange	2,783,287	2,739,113
Outside Jordan -		
Quoted Shares in Palestine Exchange	9,230	9,230
Bonds		
Outside Jordan -		
Jordan Government's debenture bonds and bonds *	117,484	122,546
Total financial assets at fair value through income statement	2,910,001	2,870,889

* This item represents Jordan Government's debenture bonds, listed in London Stock Market and is due on 10 October 2047.

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

This item consists of the following:

	30 September 2023 JD (Unaudited)	31 December 2022 JD (Audited)
Shares		
Inside Jordan -		
Quoted shares	2,496,838	2,055,004
Total financial assets at fair value through other comprehensive income	<u>2,496,838</u>	<u>2,055,004</u>

(6) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	30 September 2023 JD (Unaudited)	31 December 2022 JD (Audited)
Inside Jordan -		
Corporate bonds and debenture bonds	1,382,700	1,212,700
Less: Provision for expected credit loss*	(21,405)	(18,773)
Total	<u>1,361,295</u>	<u>1,193,927</u>
Outside Jordan -		
Corporate bonds and debenture bonds	196,069	196,069
Foreign Governments debenture bonds and bonds	71,699	71,699
Less: Provision for expected credit loss*	(139,623)	(139,623)
Total	<u>128,145</u>	<u>128,145</u>
Total financial assets at amortized cost	<u>1,489,440</u>	<u>1,322,072</u>

* The movement on the provision for expected credit losses is as follows:

	30 September 2023 JD (Unaudited)	31 December 2022 JD (Audited)
Balance at the beginning of the period / year	158,396	152,007
Additions during the period / year	2,632	6,389
Balance at the end of the period / year	<u>161,028</u>	<u>158,396</u>

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The maturity of the bonds extends to the following dates:

	From 1 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to one year	More than one year	Total
	JD	JD	JD	JD	JD	JD
						(Unaudited)
<u>Inside Jordan</u>						
Corporate bonds and debenture bonds	-	-	-	-	1,361,295	1,361,295
<u>Outside Jordan</u>						
Corporate bonds and debenture bonds	128,145	-	-	-	-	128,145
Total	128,145	-	-	-	1,361,295	1,489,440

- The interest rates on debenture bonds and bonds in Jordanian Dinar ranged from 7% to 8.5% and on foreign currency debenture bonds and bonds from 5.125% to 6.375% during the period ended 30 September 2023 (30 September 2022: the interest rates on debenture bonds and bonds in Jordanian Dinar ranged from 6.75% to 7% and on foreign currency debenture bonds and bonds from 5.125% to 6.375%)
- The bonds above have fixed returns.

(7) INVESTMENT PROPERTIES

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Land	316,146	316,146
Building, net of accumulated depreciation	1,607,466	1,647,426
	1,923,612	1,963,572

The fair value of investment properties has been determined by real estate experts as at 31 December 2021 to be JD 2,315,750.

The depreciation on the investment properties for the nine-month period ended 30 September 2023 is JD 39,960 (30 September 2022: JD 39,961).

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(8) CHEQUES UNDER COLLECTION

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Cheques under collection*	1,060,925	845,215
Less: Provision for expected credit losses**	(10,609)	(8,452)
	<u>1,050,316</u>	<u>836,763</u>

* The maturity dates of cheques under collection are up to 31 December 2024.

** The movement on the provision for expected credit losses is as follows:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	8,452	8,151
Additions during the period / year	2,157	301
Balance at the end of the period / year	<u>10,609</u>	<u>8,452</u>

(9) ACCOUNTS RECEIVABLE

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Policyholders' receivable	5,096,894	4,081,662
Agents' receivable	3,920	1,980
Brokers' receivable	275,017	278,262
Employees' receivable	32,346	12,789
Other receivables *	431,062	357,984
	<u>5,839,239</u>	<u>4,732,677</u>
Less: Provision for expected credit losses **	(834,190)	(834,190)
Accounts Receivable, net	<u>5,005,049</u>	<u>3,898,487</u>

* This item includes customers' receivables that have lawsuits raised against them by JD 395,726 as at 30 September 2023, noting that a full provision has been booked against these lawsuits (31 December 2022 JD 333,392).

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** Movement on the provision for expected credit loss is as follows:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	834,190	931,290
Recoveries during the period / year	-	(97,100)
Balance at the end of the period / year	834,190	834,190

The table below shows the maturity details of receivables:

	Receivables that aren't due nor doubtful	Receivables than are due and not doubtful				Total
		1 – 90	91 – 180	181 – 365	More than	
		Days	Days	Days	365 Days	
	JD	JD	JD	JD	JD	JD
30 September 2023	4,081,575	434,534	248,513	240,427	-	5,005,049
31 December 2022	3,146,712	483,784	180,394	87,597	-	3,898,487

(10) REINSURERS' RECEIVABLE

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Local reinsurance companies	877,135	1,027,375
Foreign reinsurance companies	126,058	377,525
	1,003,193	1,404,900
Less: Provision for expected credit loss *	(297,258)	(297,258)
Reinsurers' receivable, net	705,935	1,107,642

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* Movement on the provision for expected credit losses is as follows:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	297,258	175,158
Additions during the period / year	-	122,100
Balance at the end of the period / year	297,258	297,258

(11) ACCOUNTS PAYABLE

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Agents' payable	118,421	223,004
Employees' payable	26,989	259,796
Brokers' payable	306,283	192,817
Customers' payable	272,574	107,002
Medical entities' payable	2,257	7,644
Suppliers' payable*	134,597	2,236
	861,121	792,499

* This item includes an amount of JD 62,640 for the Medical Third-Party Administrators (TPAs) as at 30 September 2023 (31 December 2022: JD 60,421).

(12) REINSURERS' PAYABLES

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Local reinsurance companies	105,802	73,133
Foreign reinsurance companies	1,145,980	925,967
Reinsurers' deposits	1,409,335	1,219,849
	2,661,117	2,218,949

(13) INCOME TAX

A- Income tax provision

Movement on the income tax provision is as follows:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	72,269	68,543
Income tax paid on bank interest	34,250	29,866
Income tax paid for the period / year	18,899	3,836
Income tax for the period / year	(103,539)	-
Income tax for prior years	-	(29,976)
Balance at the end of the period / year	21,879	72,269

B- Income Tax Expense

Income tax in the interim condensed income statement represents the following:

	For the nine months ended 30 September	
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Income tax expense accrued on the profit of the period	319,926	38,797
Income tax for prior years	-	29,976
Impact of deferred tax assets	3,308	(16,446)
Impact of deferred tax liabilities	55,307	138,022
Income tax for the period	378,541	190,349

The Company filed its tax returns for the years 2022 and 2021 on time. The Income Tax Department has not reviewed the Company's records up until the reporting date. In the opinion of the Company's management and the tax consultant, there are no tax liabilities.

A final settlement was reached with the Income Tax Department until the end of year 2020.

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Sales Tax

A final settlement was reached with the Sales Tax Department until the end of December 2021.

C- Deferred tax assets and deferred tax liabilities

This item consists of the following:

	30 September 2023			31 December 2022	
	Balance at the beginning of the period	Amounts released	Amounts added	Balance at the end of the period	Deferred tax
	JD	JD	JD	JD	JD
					(Unaudited)
					(Audited)
A. Deferred Tax Assets					
Expected credit losses	1,311,168	-	5,851	1,317,019	342,425
IBNR provision	2,725,497	15,193	-	2,710,304	704,679
End-of-service provision	14,946	14,384	11,002	11,564	3,007
Unallocated loss adjusted expenses reserve	100,000	-	-	100,000	26,000
Premium deficiency reserve	200,000	-	-	200,000	52,000
Unrealized loss - financial assets at fair value through other comprehensive income	546,663	-	61,429	608,092	158,104
Accumulated tax losses	832,263	832,263	-	-	-
	<u>5,730,537</u>	<u>861,840</u>	<u>78,282</u>	<u>4,946,979</u>	<u>1,286,215</u>
B. Deferred Tax Liabilities					
Unrealized profit - financial assets at fair value through income statement	594,700	2,580	41,693	633,813	164,791
Claims recoveries	2,382,306	-	173,609	2,555,915	664,538
	<u>2,977,006</u>	<u>2,580</u>	<u>215,302</u>	<u>3,189,728</u>	<u>829,329</u>

Deferred taxes have been calculated according to the tax rates which the Company is subjected to 26%. and the management believes that the deferred tax assets will be utilized in the near future.

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The movement on deferred tax assets and liabilities is as follows:

	30 September 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Balance at the Beginning of the period / year	1,489,938	774,022	1,259,655	619,349
Additions	20,354	55,978	357,224	154,673
Released	(224,077)	(671)	(126,941)	-
Balance at the end of the period / year	<u>1,286,215</u>	<u>829,329</u>	<u>1,489,938</u>	<u>774,022</u>

(14) PAID-IN CAPITAL

The authorized and paid-in capital as at 30 September 2023 and 31 December 2022 amounted to JD 8,000,000 divided into 8,000,000 shares, with a par value of JD 1 per share.

(15) LEGAL RESERVES

The Company did not appropriate for legal reserves in accordance with the regulations of Companies Law as these financial statements are interim financial statements.

(16) FAIR VALUE RESERVE

This item represents the change in fair value of financial assets at fair value through other comprehensive income. The details of this item are as follows:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	(404,532)	(452,741)
Changes during the period / year	(45,457)	67,782
Gain on sale of financial assets at fair value through other comprehensive income	-	(19,573)
Balance at the end of period / year	<u>(449,989)</u>	<u>(404,532)</u>

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(17) NET GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

The details of this item are as follows:

	For the nine months ended 30 September	
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Cash dividends income from financial assets at fair value through income statement	195,352	152,227
Cash dividends income from financial assets at fair value through other comprehensive income	130,453	120,950
Net change in fair value of financial assets at fair value through income statement	39,112	449,649
Investment property depreciation (note 7)	(39,960)	(39,961)
Investment properties rental income	61,030	57,954
Gain on sale of financial assets at fair through income statement	-	3,704
Other revenue	14,481	11,746
	<u>400,468</u>	<u>756,269</u>

(18) BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the period by the weighted average of the outstanding shares. The details of this item are as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period / JD	257,708	184,600	1,077,392	421,303
Weighted average of outstanding shares / share	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share from the profit for the period	<u>0/032</u>	<u>0/023</u>	<u>0/135</u>	<u>0/053</u>

The basic earnings per share is equal to the diluted earnings per share from the profit for the period.

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(19) CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Cash on hand	5,268	860
Cash at banks	672,124	1,059,705
	<u>677,392</u>	<u>1,060,565</u>

The cash and cash equivalents appearing in the interim condensed statement of cash flows represent the following:

	For the nine months ended 30 September	
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand and at banks	677,392	523,065
Add: Deposits at banks mature within three months	1,706,939	2,436,556
	<u>2,384,331</u>	<u>2,959,621</u>

(20) RELATED PARTY TRANSACTIONS

The Company entered into transactions with major shareholders, members of the Board of Directors, and top executive management within its ordinary course of business. All insurance credit granted to related parties are considered active, and no related provisions have been taken.

The pricing policy and terms related to these transactions are approved by the Company's management.

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The following is a summary of the transactions with related parties during the period / year:

	Related Party			Total	
	Major Shareholders	Board Members	Top Executive Management	30	31
				September	December
				2023	2022
	JD	JD	JD	JD	JD
				(Unaudited)	(Audited)
Items included in the interim condensed statement of financial position:					
Accounts receivable	616	272,826	-	273,442	410
Accounts payable	1,600	103,228	-	104,828	86,505
	Related Party			Total	
	Major Shareholders	Board Members	Top Executive Management	30	30
				September	September
				2023	2022
	JD	JD	JD	JD	JD
				(Unaudited)	(Unaudited)
Items included in the interim condensed statement of income:					
Underwriting premiums	136,889	309,974	1,917	448,780	418,563
Claims	25,774	4,191	2,085	32,050	16,100
Salaries and remunerations	-	-	281,550	281,550	217,100
Transportation and travel	-	27,788	450	28,238	18,900

The following is a summary of the benefits (salaries and remunerations) of the executive management:

	For the nine months ended 30 September	
	2023	2022
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and remunerations	281,550	217,550
Board members transportations and compensations	27,788	18,450
	309,338	236,000

(21) FAIR VALUE HIERARCHY

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether this price can be observed directly or estimated using another evaluation technique.

When estimating the fair value of the asset or the obligation, the Company takes into account the characteristics of the asset or the obligation if market participants take those characteristics into account when pricing the asset or obligation on the measurement date.

The Company uses the following arrangement of valuation methods and alternatives in determining and presenting fair value of financial instruments:

- Level 1: Quoted market prices in active markets for the same assets and liabilities.
- Level 2: Other techniques where all inputs that have an important impact on fair value can be observable, directly or indirectly, from market information.
- Level 3: Other techniques where inputs are used that have an important impact on fair value but are not based on observable market information.

The following table shows the analysis of financial instruments recorded at fair value and in the above hierarchy:

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
30 September 2023 (Unaudited) -				
Financial assets				
Financial assets at fair value through				
income statement	2,910,001	-	-	2,910,001
Financial assets at fair value through other				
comprehensive income	2,496,838	-	-	2,496,838
	<u>5,406,839</u>	<u>-</u>	<u>-</u>	<u>5,406,839</u>
31 December 2022 (Audited) -				
Financial assets				
Financial assets at fair value through				
income statement	2,870,889	-	-	2,870,889
Financial assets at fair value through other				
comprehensive income	2,055,004	-	-	2,055,004
	<u>4,925,893</u>	<u>-</u>	<u>-</u>	<u>4,925,893</u>

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Details of investment properties and information related to fair value levels are as follows:

	Book Value				Fair value at period/ year end
	Level 1	Level 2	Level 3	Total	
	JD	JD	JD	JD	
30 June 2023 (Unaudited) -					
Investment properties	-	-	1,936,932	1,936,932	2,315,750
31 December 2022 (Audited) -					
Investment properties	-	-	1,963,572	1,963,572	2,315,750

(22) LAWSUITS FILED AGAINST THE COMPANY

The Company is the defendant in a number of lawsuits amounted to JD 454,907 as at 30 September 2023 (31 December 2022: JD 520,711). The Company has taken sufficient provisions to meet any liabilities from these litigations. In the opinion of the Company's management and its lawyer, the provisions calculated on these lawsuits are sufficient to meet the liabilities from these litigations.

The value of the cases filed by the Company against others amounted to JD 2,229,558 as at 30 September 2023 (31 December 2022: JD 1,885,000).

(23) CONTINGENT LIABILITIES

As at the date of the interim condensed financial statements, the Company has contingent liabilities which are represented in bank guarantees amounted to JD 331,364 compared to JD 292,549 as at 30 September 2023 and at 31 December 2022 respectively.

(24) SEGMENT ANALYSIS

A. Information about the Company's business sectors:

For administrative purposes, the Company was organized into two business sectors, the general insurance sector, including vehicle insurance, transport insurance, fire insurance, other damage to property and liability insurance, and the life insurance sector. These two sectors form the basis for the Company to show information on key sectors. The two sectors also include investments and cash management for the Company's own account. Transactions between business segments are carried out on the basis of estimated market prices and on the same terms used with other parties.

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B. Geographical Distribution Information

Following is the distribution of revenues, assets, and capital expenditures of the Company according to the geographical distribution:

	Inside Jordan		Outside Jordan		Total	
	30 September	31 December	30 September	31 December	30 September	31 December
	2023	2022	2023	2022	2023	2022
	JD	JD	JD	JD	JD (Unaudited)	JD (Audited)
Total assets	32,665,321	30,658,068	371,687	494,653	33,037,008	31,152,721

	Inside Jordan		Outside Jordan		Total	
	For the nine months ended 30 September		For the nine months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022	2023	2022
	JD	JD	JD	JD	JD (Unaudited)	JD (Unaudited)
Total revenue	14,099,347	12,534,587	891,914	787,229	14,991,261	13,321,816
Capital expenditures	8,264	48,317	-	-	8,264	48,317