

2021 ANNUAL REPORT

SUSTAINING RESPONSIBLE PROGRESS





His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain



His Royal Highness
Prince Salman bin Hamad Al Khalifa

The Crown Prince, Deputy Supreme Commander
& the Prime Minister of Bahrain



Bahrain National Holding B.S.C

Minutes of Annual Ordinary General Assembly Meeting

Held on the 25th March 2021



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Bahrain National Holding

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bnhgroup.com

Design by Boxon

Group Overview

Bahrain National Holding B.S.C. (BNH) is the premier Bahraini insurance group, offering a comprehensive range of insurance and risk management solutions. Established in 1998 through a merger between Bahrain Insurance Company and National Insurance Company, our heritage in the industry dates back to 1969.

Over the years, we have earned a formidable reputation for the quality and excellence of our services and are today a household name in the Kingdom of Bahrain.

A widely-held public company listed on Bahrain Bourse, our group operations are organized as four incorporated entities:

- BNH, the parent company, which is the asset management and corporate arm of our Group.
- Our wholly owned subsidiary, Bahrain National Insurance Company B.S.C. (c), which offers Commercial Insurance and Motor & Personal Lines Insurance under the bni brand.
- Our 75% owned subsidiary, Bahrain National Life Assurance Company B.S.C. (c), which offers Life & Medical Insurance under the bnl brand.
- iAssist Middle East W.L.L. a wholly-owned subsidiary, offering a full range of smash repairs services.

BNH's associates includes United Insurance Company, National Finance House, Arabian Shield Cooperative Insurance Company, Al Kindi Specialized Hospital, Health 360° Ancillary Services W.L.L. & Al Bayrooni Dialysis Centre.

VISION

Creating prosperity through security

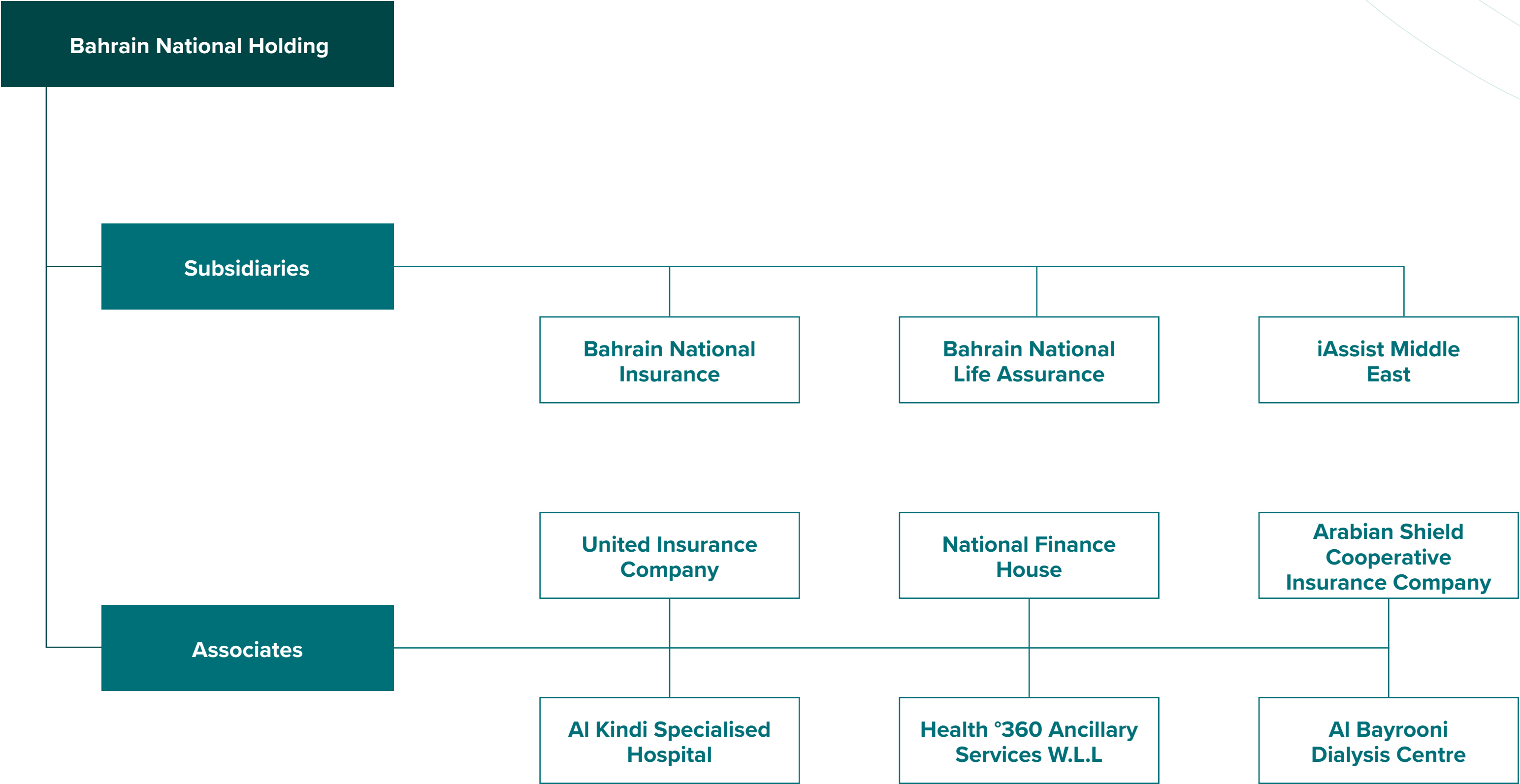
MISSION

Growing from our base of insurance experience and values, to be a leading provider of financial protection and management of risk

VALUES

Integrity, Excellence, Pioneering

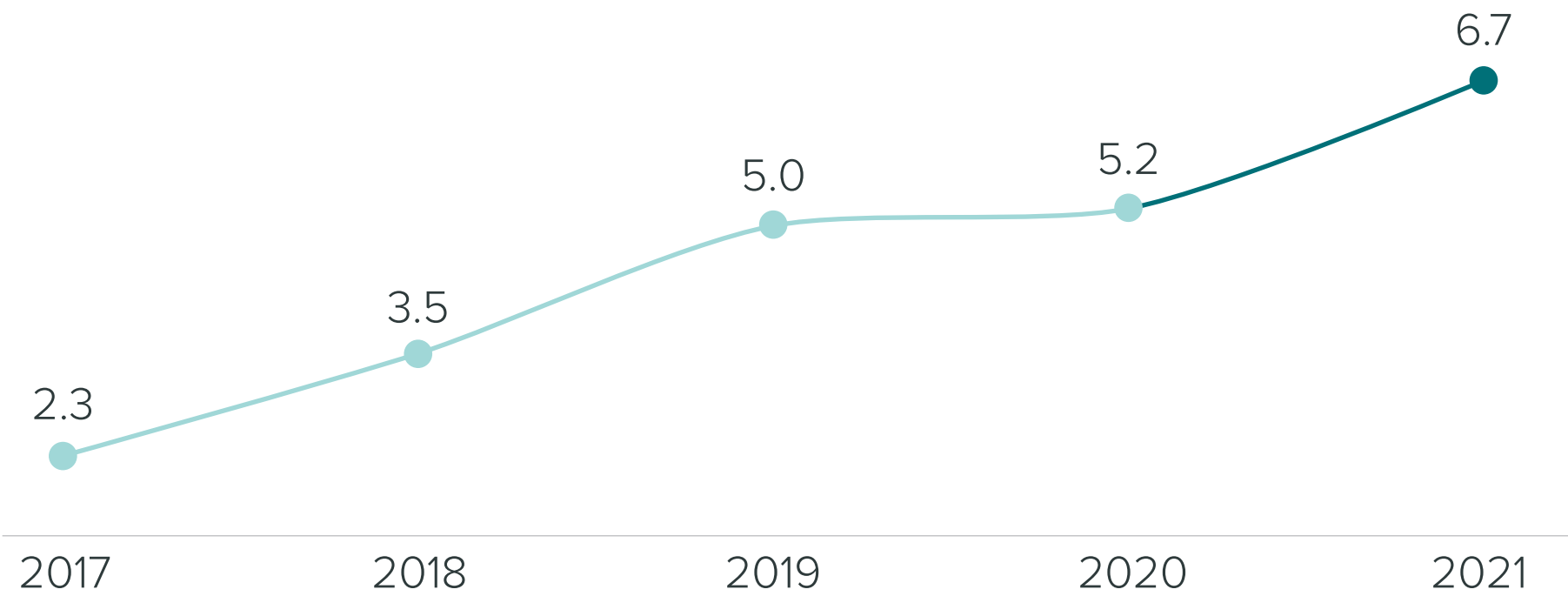
Group Structure



Financial Highlights

Net Profit
BHD Millions

6.7m



BNH Financial Highlights from 2011 to 2021

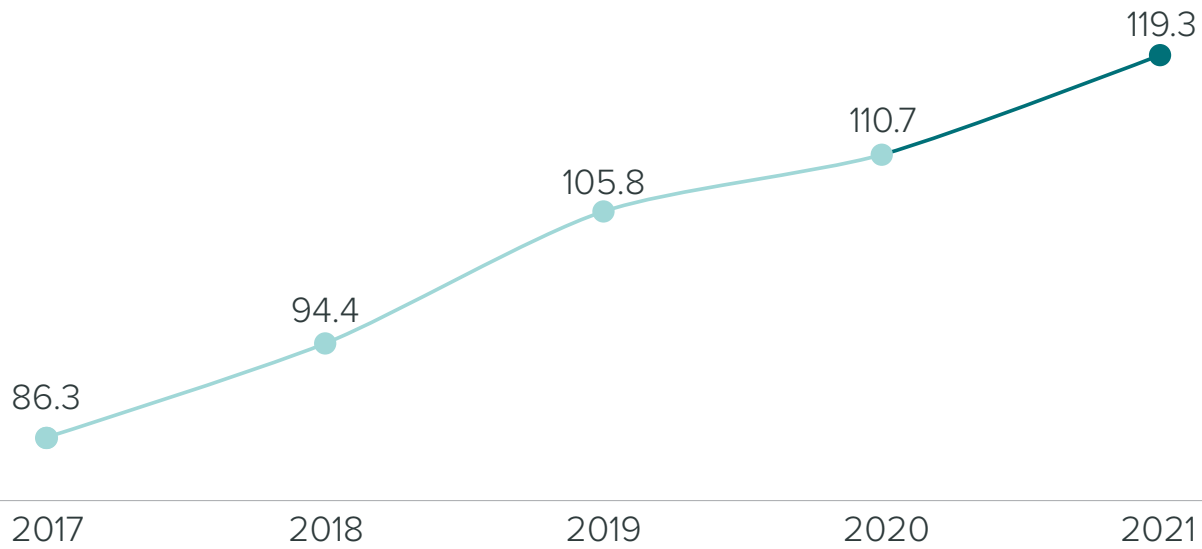
BHD millions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
> Net Profit	3.3	2.3	3.0	3.8	4.2	3.9	2.3	3.5	5.0	5.2	6.7
> Total Assets	71.6	76.8	83.2	87.7	83.0	83.4	86.3	94.4	105.8	110.7	119.3
> Total Equity	42.2	42.9	45.3	47.8	47.7	49.1	50.3	51.4	56.7	60.5	65.9
> Gross premiums	21.9	23.3	24.9	25.7	28.4	27.6	28.9	33.6	33.8	36.7	39.9
> Net Earned Premiums	13.4	14.3	14.3	13.7	14.8	15.0	15.8	16.7	17.5	16.5	18.0
> Market Capitalisation	46.3	44.7	56.8	49.0	47.8	47.8	48.8	42.9	39.3	41.7	50.1
> Earning per Share (in Fils)	29.2	20.1	27.8	33.6	37.8	36.2	18.8	29.4	42.6	43.8	56.7

Financial Highlights

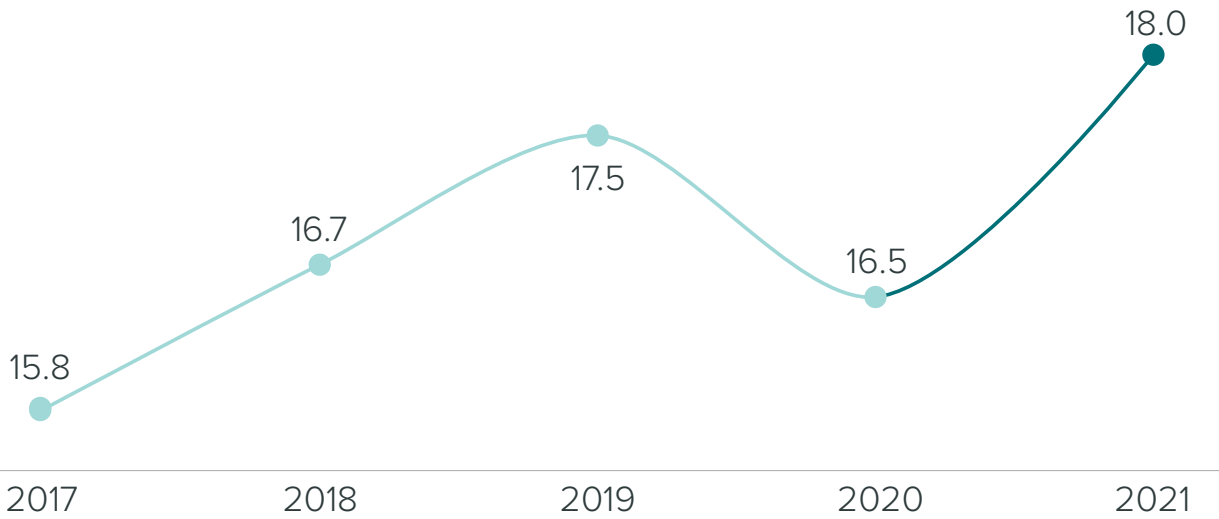
Total Assets
BHD Millions

119.3m



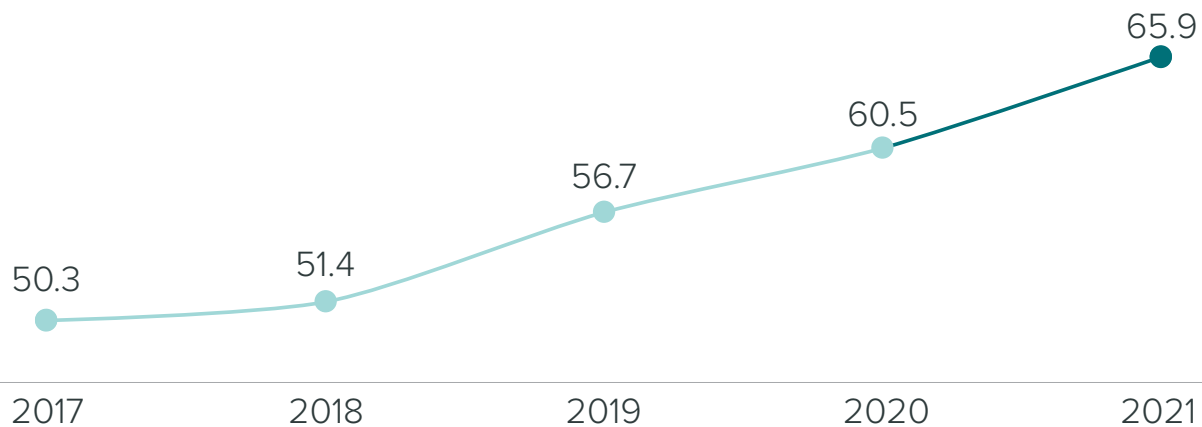
Net Earned Premiums
BHD Millions

18.0m



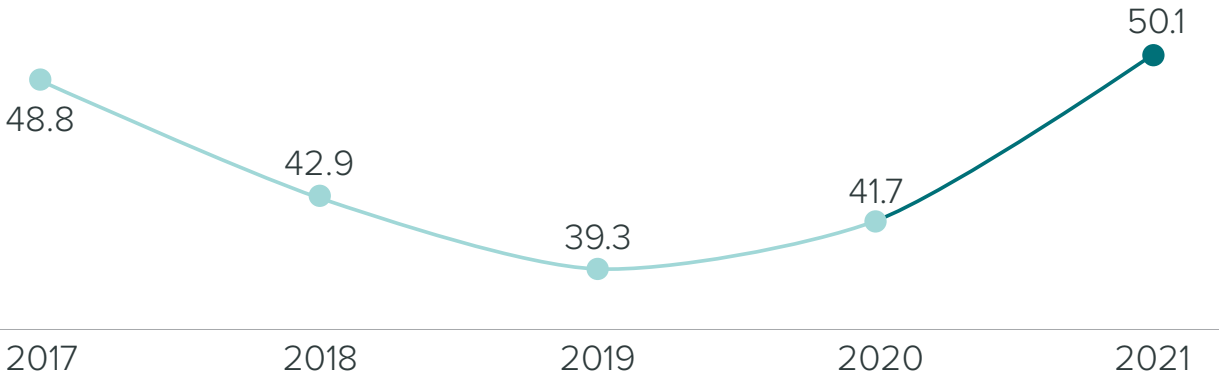
Total Equity
BHD Millions

65.9m



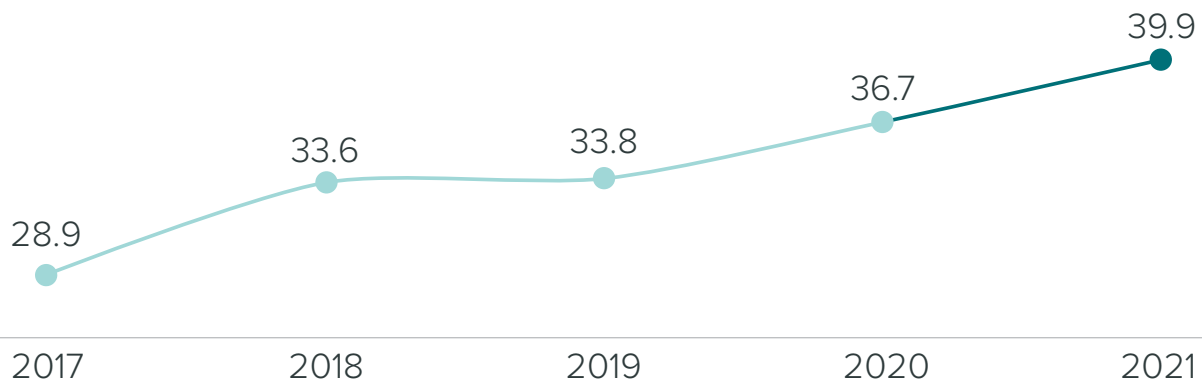
Market Capitalisation
BHD Millions

50.1m



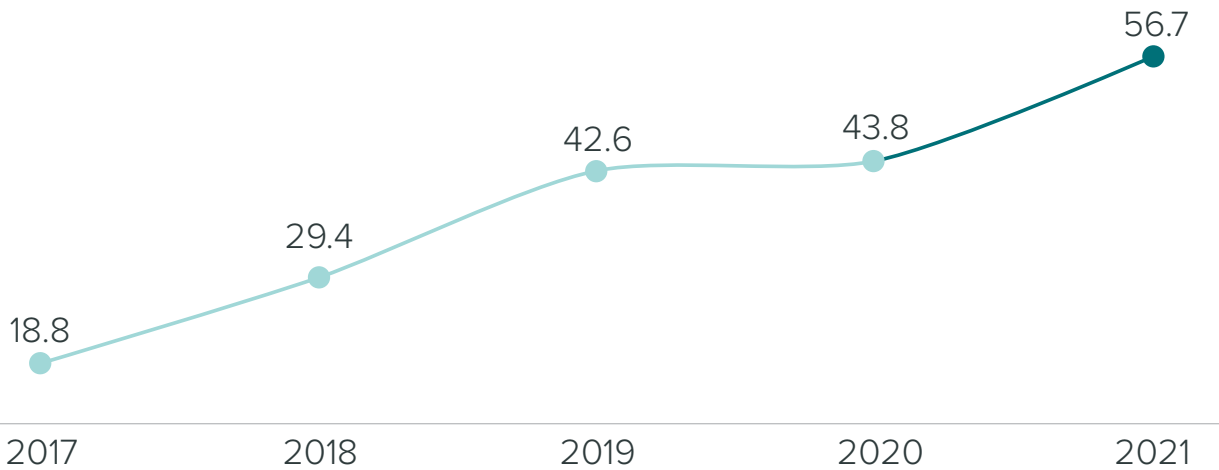
Gross premiums
BHD Millions

39.9m



Earning per Share
(in Fils)

56.7 Fils



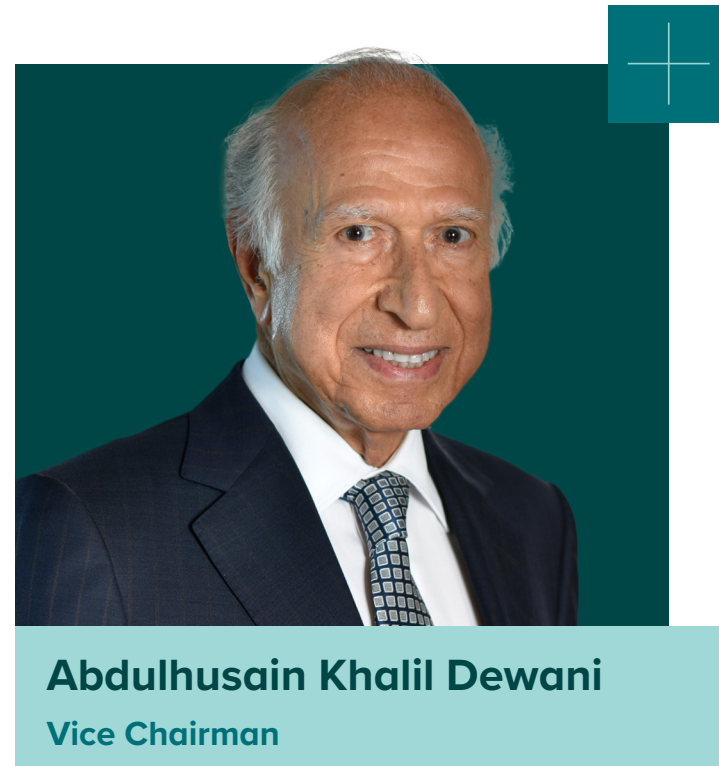


Board of Directors

Board of Directors



Farooq Yusuf Almoayyed
Chairman



Abdulhusain Khalil Dewani
Vice Chairman



Abdulrahman Mohamed Juma
Director



Jehad Yusuf Amin
Director



Redha Abdulla Faraj
Director



Ghassan Qasim Fakhroo
Director



Sami Mohamed Sharif Zainal
Director



Talal Fuad Kanoo
Director



Ali Hasan Mahmood
Director



Ayad Saad Algosaibi
Director



Farooq Yusuf Almoayyed

Chairman

Date of appointment

Board Member since 2008

Status

Independent Non-Executive Director

Educational background

B.E. Mechanical engineering, Loughborough University, England

Nationality

Bahraini

Committee memberships at BNH Group

Chairman of Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Holding (BNH)

Board memberships in other companies

Chairman:

- Y.K. Almoayyed & Sons B.S.C. (c), Bahrain
- Y.K. Almoayyed & Sons Property Co W.L.L., Bahrain
- Honorary Chairman, Almoayyed International Group, Bahrain
- Almoayyed Contracting Group B.S.C. (c), Bahrain
- National Bank of Bahrain B.S.C., Bahrain
- Ashrafs, Bahrain
- Bahrain Duty Free Shop Complex, Bahrain
- Gulf Hotels Group, Bahrain
- Ahlia University, Bahrain
- Chairman, Board of Trustees : Ibn Khuldoon National School, Bahrain
- Small & Medium Enterprises

Director:

- Economic Development Board, Bahrain

Other key positions

- Representative of the Chamber of Commerce & Industry: Real Estate Regulatory Authority (RERA)



Abdulhusain Khalil Dewani

Vice Chairman, Bahrain National Holding (BNH)
Chairman of Bahrain National Insurance (bni)

Date of appointment

Board Member since 1999

Status

Non-Executive Director

Educational background

Certificate in Commercial Studies , University of Westminster, England

Nationality

Bahraini

Committee memberships at BNH Group

Chairman

- Chairman of Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Insurance Company (bni)

Vice Chairman:

- Nomination, Remuneration & Corporate Governance Committee of Bahrain National Holding Company (BNH)

Board memberships in other companies

Chairman:

- Dawani Group Holding B.S.C., Bahrain
- Deeko Bahrain W.L.L., Bahrain
- Dawanco W.L.L., Bahrain
- Dawani Properties W.L.L., Bahrain
- Tominna Trading W.L.L., Bahrain
- Legend Paints Company W.L.L., Bahrain
- Bahrain Foundation Construction Company, Bahrain
- Al Jazira Group, Bahrain
- American Cultural & Educational Centre, Bahrain

- Capital Laundry W.L.L
- Bahrain Surface Coating Company W.L.L.

Vice Chairman

- Delmon Poultry Company WLL, Bahrain

Board Member

- The Bahrain Business Angels Holding Company Tenmou
- Bahrain Chamber of Commerce and Industry (BCCI)

Awards & Recognitions

- Awarded with His Majesty the King, Hamad bin Isa Al Khalifa's Medal for Competence in 2010.



Abdulrahman Mohamed Juma

Director, Bahrain National Holding (BNH)
Chairman of Bahrain National Life Assurance (bnl)

Date of appointment

Board Member since 1999

Status

Non-Executive Director

Educational background

A Graduate in Mechanical Engineer, University of North London, England

Nationality

Bahraini

Committee memberships at BNH Group

Chairman:

- Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Life Assurance Company (bnl)

Member:

Audit, Compliance & Risks Committee (ACRC) – Bahrain National Holding (BNH)

Board memberships in other companies

President:

- Abdulrahman bin Mohamed Juma & Sons W.L.L., Bahrain

Chairman & Managing Director:

- UNEECO BSC (c)

Chairman:

- Prudent Solutions W.L.L.
- Universal Laboratories W.L.L

Vice Chairman:

- Prudent, Saudi Arabia J/V

Director:

- Bin Juma Holdings



Jehad Yusuf Amin

Director

Date of appointment

Board Member since 1999

Status

Non-Executive Director

Nationality

Bahraini

Committee memberships at BNH Group

Member:

- Executive & Investment Committee (EIC) - Bahrain National Holding Company (BNH)
- Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Holding Company (BNH)
- Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Insurance Company (bni)
- Executive & Investment Committee (EIC) - Bahrain National Insurance Company (bni)

Board memberships in other companies

Vice Chairman:

Banader Hotels Company B.S.C

Director:

- General Company for Trading & Food industries (TRAFICO), Bahrain
- Bahrain Maritime & Mercantile International Company

(BMML), Bahrain

- Bahrain Livestock, Bahrain
- Bahrain Cinema Company B.S.C, Bahrain
- United Insurance Company, Bahrain
- Bahrain Duty Free Complex, Bahrain



Redha Abdulla Faraj

Director

Date of appointment

Board Member since 2014

Status

Independent Non-Executive Director

Educational background

Fellow of the Chartered Association of Certified Accountants (FCCA), England

Nationality

Bahraini

Committee memberships at BNH Group

Chairman:

- Audit, Compliance & Risks Committee (ACRC) – Bahrain National Holding (BNH)
- Audit, Compliance & Risks Committee (ACRC) – Bahrain National Insurance (bni)
- Audit, Compliance & Risks Committee (ACRC) – Bahrain National Life Assurance (bni)

Vice Chairman:

- Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Insurance (bni)

Member:

- Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Holding Company (BNH)
- Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Life Assurance (bni)

Board memberships in other companies

Director:

- Bahrain Maritime and Mercantile

International (BMMI), Bahrain

- Y.K. Almoayyed and Sons B.S.C.(c), Bahrain
- Almoayyed International Group, Bahrain
- Almoayyed Contracting Group, Bahrain
- National Concrete Company W.L.L., Bahrain
- Banader Hotels Company B.S.C., Bahrain
- National Finance House, Bahrain

Founder of:

- Al Faraj Consulting Co. W.L.L., Bahrain
- Al Faraj Horizon Developments Co. W.L.L., Bahrain

Other key positions

- Member of Shura Council
- Director – Minors Estate Guardianship Council



Ghassan Qasim Fakhroo

Director

Date of appointment

Board Member since 2008

Status

Non-Executive Director

Educational background

- BSc. in Electrical Engineering - University of Bahrain, Kingdom of Bahrain
- MBA, University of Bahrain, Kingdom of Bahrain

Nationality

Bahraini

Committee memberships at BNH Group

Chairman:

- Executive & Investment Committee (EIC) - Bahrain National Holding Company (BNH)
- Executive & Investment Committee (EIC) - Bahrain National Insurance Company (bni)

Board memberships in other companies

Chief Executive:

- Mohamed Fakhroo & Bros., Bahrain

Managing Director and Partner:

- Fakhroo Information Technology Services, Bahrain

Director and Partner:

- Qasim Mohamed Fakhroo & Sons W.L.L., Bahrain
- Fakhroo Investment Company, Bahrain
- Areej Trading Establishment, Bahrain

Board Member:

- Alkindi Specialized Hospital, Bahrain
- National Institute for Industrial Training, Bahrain
- General Poultry Company B.S.C., Bahrain
- National Poultry Company B.S.C, Bahrain



Sami Mohamed Sharif Zainal

Director, Bahrain National Holding (BNH)

Vice Chairman of Bahrain National Insurance (bni)

Date of appointment

Board Member since 2008

Status

Non-Executive Director

Educational background

- Bachelor of Business Administration - Saint Edward University in Texas, USA
- MBA, University of Bahrain, Kingdom of Bahrain

Nationality

Bahraini

Committee memberships at BNH Group

Vice Chairman:

- Executive & investment Committee (EIC) - Bahrain National Holding Company (BNH)
- Executive & investment Committee (EIC) - Bahrain National Insurance Company (bni).

Member

- Audit, Compliance & Risks Committee (ACRC) – Bahrain National Insurance Company (bni).

Board memberships in other companies

Chairman:

- General Poultry Company, Bahrain

Director:

- GCC Commercial Arbitration Centre, Bahrain
- Zainal Enterprises, Bahrain
- Tony Luke's, Bahrain
- Life Marketing S.P.C., Bahrain

Marketing Director:

- Mohamed Ali Zainal Abdulla (MAZA), Bahrain

Other key positions

- Member of Commercial Arbitration Committee, Bahrain Chamber of Commerce



Talal Fuad Kanoo

Director

Date of appointment

Board Member since 2008

Status

Non-Executive Director

Educational background

Bachelor of Business Administration – Management,
The American University, Washington D.C., USA

Nationality

Bahraini

Board memberships in other companies

Chairman:

- National Finance House B.S.C. (c), Bahrain
- Gulf Medical Diabetes Center, Bahrain
- Bahrain Basketball Association, Bahrain

Managing Director:

- E. K. Kanoo B.S.C (c), Bahrain

Director:

- Supreme Council for Youth & Sports, Bahrain
- Injaz, Bahrain



Ali Hasan Mahmood

Director

Date of appointment

Board Member since 1999 & Re-elected in 2011

Status

Non-Executive Director

Educational background

- Bachelors in Business Administration and Marketing, North Western College, London England

Nationality

Bahraini

Committee memberships at BNH Group

- Member of Audit, Compliance and Risk Committee (ACRC) - Bahrain National Holding Company (BNH)

Board memberships in other companies

Chairman:

- Euro Gulf Oil Energy Services, Bahrain
- United International Décor W.L.L., Bahrain
- Bed Center W.L.L., Bahrain
- United Marketing International Company W.L.L., Bahrain

Chairman & Managing Director:

- Hasan & Habib s/o Mahmood Group of Companies, Bahrain
- Al Jazeera Shipping Company. W.L.L., Bahrain
- Al Jazeera Marine Services L.L.C, Sharjah, UAE
- Al Jazeera Shipping Agencies, Bahrain

Director:

- Bahrain Specialist Hospital, Bahrain
- Bahrain Businessmen Association, Bahrain

Other key positions

- Vice Chairman, Jaffaria Waqf Directorate



Ayad Saad Algosaibi

Director

Date of appointment

Board Member since 2008

Status

Independent Non-Executive Director

Educational background

- BSBA in International Business, American University, Washington D.C., USA
- MBA in International Finance and Marketing, American University, Washington D.C., USA

Nationality

Bahraini

Committee memberships at BNH Group

Vice Chairman:

- Audit, Compliance & Risks Committee (ACRC) – Bahrain National Holding (BNH)

Director and Vice Chairman:

- Audit, Compliance & Risks Committee (ACRC) – Bahrain National Insurance Company (bni)
- Audit, Compliance & Risks Committee (ACRC) – Bahrain National Life Assurance Company (bni)
- Executive & investment Committee (EIC)- Bahrain National Holding Company (BNH)

Board memberships in other companies

Vice Chairman:

- Khalifa A. Algosaibi Investment Co. CJSC, Dammam, Saudi Arabi



Board of Directors' Report

Farooq Yusuf Almoayyed

Chairman of the Board

Dear Shareholders

On behalf of Bahrain National Holding BSC (BNH) Board of Directors, I am pleased to present the Annual Report and consolidated financial statements for the year ended 31 December 2021, which highlights the Group's annual performance.

Bahrain and Covid-19

2021 has been a year of two halves, while the first saw countries deal with a rising wave of cases while navigating the Covid pandemic, the second half saw effective vaccination implementation and improved healthcare preparedness allowing countries around the world to gradually return to a sense of normalcy. Bahrain in this context, excelled, specifically with the proactive actions of the Government which included the impressive vaccination drive, improved testing capabilities, and expanded medical facilities along with the commitment of the Bahraini public which led to limit the impact of the pandemic. The Government creditably pulled off the fine balancing act of providing support to a recovering economy and gradually opening-up various sectors while also improving their fiscal strength.

(Continued)

BOARD OF DIRECTORS REPORT

Bahrain Economy-Stronger post pandemic

The Bahrain economy after having shrunk by -4.9% in 2020, saw a strong rebound in 2021 with 3rd quarter 2021 real GDP growing by 2.1% Year-over-Year (2nd quarter 2021: +5.5% YoY). Following two successive quarters of expansion, Bahrain economy for the first nine months of 2021 was 1.5% larger Year-over-Year. The Government stimulus package initiatives and successful efforts to contain the virus contributed towards this.

As per the Bahrain Economic Development Board, 3rd quarter 2021 saw non-oil sector GDP growth of 3.8% Year-over-Year following a strong 7.4% growth Year-over-Year in 2nd quarter 2021, with the largest improvements in the past two quarters seen in sectors that had been hardest hit by the pandemic. For 2021, real GDP is expected to expand by 2.6% and 2022 is forecasted to see real GDP reach pre-pandemic levels.

While the current new wave in COVID cases from the new omicron variant does pose a potential threat to the recovery, the Government's untiring efforts towards testing, tracing, and quarantine should enable the country to come out of this relatively unscathed.

Major projects continued to progress well despite the challenges thrown by the pandemic. The BAPCO refinery modernization program is progressing as planned and reached approximately 75% completion in September 2021 and is on track for completion by 2023.

For 3rd quarter 2021, infrastructure projects funded by the GCC Development Fund saw USD 172 million of projects being awarded, a 3.1% increase quarter on quarter. During the first half of 2021, Government tenders and auctions worth over BHD1.3 billion were awarded, a growth of 60% from BD820 million in the first half of 2020. Bahrain Government also approved the start of Phase One Bahrain Metro Project in 4th quarter 2021, a 109 km-long urban metro transit system with an expected passenger capacity of approximately 43,000 an hour. During the year, the Government also announced revenue enhancement and expenditure rationalization measures which should enable them to achieve a balanced budget by 2024. The international debt markets have reacted to these developments positively, allowing Bahrain to successfully raise USD 2 billion each in January 2021 and November 2021, with strong demand and participation levels.

(Continued)

BOARD OF DIRECTORS REPORT

BNH Financial Performance

Against the above macro background, it is a matter of immense pleasure and satisfaction to report that the Group achieved another milestone, by registering a record profit of BD 6.68 million. The Group surpassed the 2020 net profit of BD 5.21 million by 28%. We are pleased with the strong underwriting performance during a year where competition remained challenging.

Despite the growth in economic activity post-covid related disruptions, the drop in claims ratio witnessed in 2020 continued into 2021. This was partly the result of careful underwriting and better claims control.

All lines of businesses – Medical, Life, General – grew, except for Motor insurance. Despite the shift in consumer preference to lower-priced vehicles, limited supply of new vehicles on account of global chip shortages, and increased competition within the space, the Group managed to control the fall in motor gross premiums to just 3%, a commendable achievement. Motor witnessed a 17% increase in Underwriting profit, assisted by claims control.

Property and General insurance also witnessed strong underwriting performance due to lower claims and achieving a more balanced portfolio. The medical segment premiums were powered by large account wins in 2021.

This coupled with a lower claims ratio enabled doubling underwriting profit. Life premiums grew mostly on the credit life side on robust mortgage demand due to the low interest environment. A rise in covid-related claims and higher acquisition costs however drove weakness at the underwriting level for Life segment.

The overall strength in underwriting performance was augmented by impressive returns on the investment portfolio. Net Investment Income in 2021 reached a record BD 3.01 million, 26% higher than 2020. This was achieved despite maintaining an elevated cash level through the year. Tactical trading in regional and international markets, strong performance of certain private equity deals and an improvement in associates' performance, all contributed towards higher returns.

However, the combination of elevated valuations, inflationary uncertainties, and gradual withdrawal of monetary stimulus are expected to feed into a volatile investment market as we head into 2022.

The Group continues to be conservatively reserved, with net technical reserves at a healthy 117% of net earned premium. The Group's shareholder equity has grown by 9% during the year to BD 62.22 million.

(Continued)

BOARD OF DIRECTORS REPORT

Remunerations of the board members and senior executives

Transparent and comprehensive reporting on Board of Directors’ compensation and benefits is an essential element of good corporate governance. Following is Board of directors’ remuneration and sitting fees and top 6 senior executives’ salaries and benefits:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
Independent directors:													
Farooq Yusuf Almoayyed	25,000	6,000	—	1,382	32,382	—	—	—	—	—	—	32,382	—
Jehad Yusuf Amin	15,000	7,400	—	514	22,914	—	—	—	—	—	—	22,914	—
Ayad Saad Algosaibi	15,000	8,200	—	514	23,714	—	—	—	—	—	—	23,714	—
Redha Abdulla Faraj	15,000	7,800	—	1,382	24,182	—	—	—	—	—	—	24,182	—
Non-Executive Directors:													
Abdulhussain Khalil Dewani	15,000	5,800	—	1,382	22,182	—	—	—	—	—	—	22,182	—
Abdulrahman Mohamed Juma	15,000	7,000	—	1,382	23,382	—	—	—	—	—	—	23,382	—
Sami Mohamed Sharif Zainal	15,000	6,600	—	514	22,114	—	—	—	—	—	—	22,114	—
Ghassan Qassim Fakhroo	15,000	7,000	—	514	22,514	—	—	—	—	—	—	22,514	—
Ali Hasan Mahmood	15,000	6,600	—	1,382	22,982	—	—	—	—	—	—	22,982	—
Talal Fuad Kanoo	15,000	5,000	—	514	20,514	—	—	—	—	—	—	20,514	—
Total	160,000	67,400	—	9,480	236,880	—	—	—	—	—	—	236,880	—

(Continued)

BOARD OF DIRECTORS REPORT

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	553,378	166,000	12,552	731,930

Other remunerations:

*It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

** It includes the board member's share of the profits - Granted shares (if any).

Notes:


1. Remuneration earned if the executives are also on the Board of Directors of subsidiaries or other entities of the Group are excluded.
2. Disclosure is for the top 6 executives who are employees of the entity as on the reporting date.

We expect cost pressures to increase in 2022 due to additional expenses related to the transition to IFRS 17 and IFRS 9 accounting standards. The new standards are expected to go into effect from January 2023 and envisage a more comparable presentation of insurance companies' performance, enhancing shareholder information and overall transparency. Long term impacts on the insurance sector, include a greater focus on appropriate pricing of insurance policies and changes in internal performance indicators and measures. Your Group had appointed consultants in 2021 to assist with the implementation of IFRS 9 and IFRS 17. The next stage of design and implementation will involve a revamping of several internal processes, implementing a IFRS 17 calculation software apart from extensive employee training. We view this as an investment and an opportunity to improve our internal processes further to achieve our long-term vision.

(Continued)

BOARD OF DIRECTORS REPORT


Farooq
Yusuf Almoayyed
 Chairman of the Board


Abdulhusain
Khalil Dewani
 Vice Chairman

A focus on the future-BNH Initiatives

We are pleased to inform you that all modules of the IT core system upgrade have been completed successfully and has gone live. This upgrade provides the platform on which to build our digitalization efforts to respond to the customers' needs for reliable and quick insurance services. Due to the pandemic, the Group had to pivot its training efforts to online courses and seminars. We are pleased to report that employees seamlessly adjusted to the online offerings and several employees completed certifications in their related fields. We are grateful for the support offered by Tamkeen and other government agencies in this regard.

During the year, BNH also announced the formation of a dedicated Environmental, Social, and Governance (ESG) Committee with the aim of fully incorporating sustainability practices into the Group's strategy and decision-making processes. This is testament to the company's focus on identifying the sustainability risks and opportunities we face and our commitment to realizing the UN Sustainable Development Goals and Bahrain Vision 2030.

2022 - Cautiously Optimistic

Our outlook for 2022 is cautiously optimistic, as the economy is expected to accelerate as we leave the pandemic behind. We expect average oil prices to stabilize at USD 80 levels in 2022, providing a strong backdrop for the local and regional economies to hold steady against global macro uncertainties, primarily from inflation. Our dedicated workforce who has further strengthened their skillset through improved training, experience and teamwork are, our greatest strengths for your Group in scaling greater heights in the future.

On behalf of the Board of Directors, I would like to express my sincere appreciation and gratitude to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, for their wise leadership and support of the Kingdom's financial sector. I also extend my thanks to all the ministries, institutions, and government agencies, especially the Ministry of Industry, Commerce and Tourism, the Central Bank of Bahrain, the Ministry of Finance, Tamkeen and the Bahrain Bourse, for their guidance and continuous support.

I would also like to thank all our shareholders, customers and business partners for their continuous support and the Board of Directors, the Executive Management and all employees for their efforts and commitment during 2021.



Executive Management

Executive Management



Sameer AlWazzan
Group Chief Executive Officer



Masood Bader
Group Deputy Chief Executive



Anand Subramaniam
Group Chief Investment
and Financial Officer



Anantha Ramani
Finance and Investments
Senior Manager



Mohsin Ali
Finance Senior Manager



Sami Askar
Information Technology & Digital
Transformation Senior Manager



Bashayer Dhaif
Corporate Communications Senior
Manager & ESG Officer



Maryam AlAhmed
Human Capital Senior Manager



Husain Mubarak
Facility Manager



Abdulla Rawanbakhsh
Internal Audit Assistant Manager





Sameer AlWazzan

**Group Chief Executive Officer
Bahrain National Holding B.S.C.**

An internationally recognized Veteran of the insurance industry for over three decades. He started his insurance career in the year 1982.

Mr. Sameer AlWazzan is the Board Chairman and Chairman of NRCG Committee of United Insurance Company; Board Vice-Chairman, Member of NRCG Committee and Member of Executive Committee of Arabian Shield Cooperative Insurance Company (KSA); Board Member and Member of Executive Committee of National Finance House; and Board member of Al Kindi Specialised Hospital.

He was the Founder and Board Member of Bahrain Insurance Association and Chairman for 2 terms, Board Committee Member of Central Bank of Bahrain (CBB) “Motor Accident Compensation Fund”; and served as a Member of “Banking & Insurance Sectors” and Member of “Arbitration & Legal” Committees of the Bahrain Chamber of Commerce and Industry (BCCI). He was also a Member of Pan Arab General Arab Insurance Federation “GAIF”.

Prior to that, Mr. AlWazzan held Senior Management roles such as General Manager of National Insurance Company, General Manager of UNITAG Group, General Manager of Bahrain Kuwait Insurance Company, CEO of Solidarity Group and CEO of Al Khazna Insurance Company, Abu Dhabi, UAE. He also has 10 years (1972–1982) of experience working as an Instrument Engineer at Bahrain Petroleum Company (BAPCO).

He was also the Vice-Chairman of Arab World Risk Insurance Syndicate (AWRIS), Independent Board Member at Al Madina Insurance Company – Oman, Doha Bank Assurance Company – Qatar, Saudi National Insurance Company (SNIC). Mr. AlWazzan completed Management Studies from renowned institutions including Stanford University, California, USA, Manchester Business School, UK, Swansea Polytechnic, UK, Huddersfield Polytechnic, UK and University of Bahrain.

He joined BNH as Group Chief Executive on 2nd January 2014 till date.



Masood Bader

**Group Deputy Chief Executive Officer
Bahrain National Holding**

Masood Bader joined bni in 2010, bringing 24 years of insurance and reinsurance experience to the company. An accounting major, he started his career as a Claims Assistant with Arab Insurance Group (ARIG), working his way up to Executive Manager in charge of an international portfolio of Marine and Energy. In the six years prior to joining bni, he worked as an Insurance and Reinsurance Broker, first for Arthur J. Gallagher Middle East as Regional Director, and then for AON Middle East as Vice President. Mr. Masood has held several positions within the Group including Assistant General Manager of bni, General Manager of bni, acting Deputy CEO at BNH and in 2020 he was appointed Deputy CEO of the Group.

He currently holds board memberships in iAssist Middle East.



Anand Subramaniam

**Group Chief Investment & Financial Officer
Bahrain National Holding**

Anand Subramaniam has over 22 years of experience in the field of investments and asset management. He holds a Chartered Financial Analyst designation from the CFA Institute, USA and an MBA and BBA from Sardar Patel University, Gujarat, India. He also holds a Chartered Alternative Investment Analyst designation from the CAIA Association, USA. Prior to this, he was the Head of Investments at Bahraini Saudi Bank BSC and a Fund Manager at TAIB Bank BSC. He has previously worked with Fincorp SAOG as VP-Asset Management and Oman Arab Bank as an Investment Officer. He started his career as an equity researcher in India focusing on the IT, banking and cement sectors. He joined BNH in 2010, where he is responsible for managing the group's investment portfolio and overseeing the groups' finance functions.

Executive Management



Eman Mojali

Chief Executive Officer



Rayan Al Mahmood

Deputy Chief Executive Officer -
Business Development



Mohamed Al Meraj

Chief Officer -General Insurance



Mohammed Salman

Chief Officer - Motor &
Personal Insurance



Mohamed Hasan AlAbbasi

Compliance and
AML Senior Manager



Hasan Ali Al Shehabi

Survey & Claims Senior Manager



Faisal Isa Hussain

Risk Manager



Executive Management



Enas Asiri
Chief Executive Officer



Eman AlGhanami
Medical Insurance Senior Manager



Omar Al Aseeri
Life Insurance Senior Manager



Vernon Goveas
Accounts Senior Manager



Group Chief Executive's Report

Sameer AlWazzan

Group Chief Executive

I am pleased to present before you the Annual Report of Bahrain National Holding B.S.C (BNH) and its subsidiaries for the financial year ending on 31 December 2021.

2021 was a remarkable year in terms of performance and returns. This year, the Group achieved a record profit ever in its history at BD6.68 million, a 28% increase compared to the previous year's profit which was BD5.21 million. This was despite the global coronavirus pandemic and its impact on the economic growth. This is not a coincidental achievement, in fact it was made possible due to the sustained efforts of all board members, their well-placed decisions and the sincere efforts of all employees in providing best services and advanced products that commensurate with the expectations of the customers.

All Group subsidiaries worked towards maintaining, developing, and growing their customer base and market share.

General Overview

The year 2021 began amidst a surge in coronavirus cases and its global economic impacts, and just like other parts of the world, Bahrain, too, was impacted by the pandemic especially the tourism and travel sectors. However, exceptional efforts were put into developing innovative and unique services and products by the Group's Insurance subsidiaries such as the market's first electric car insurance as well as the new cyber-risk coverage introduced by bni. Furthermore, a new insurance policy was launched for food trucks with the aim to protect small enterprises and respond to their needs in an ever-changing economy as well as the opportunity to support SMEs.

(Continued)

GROUP CHIEF EXECUTIVE'S REPORT

Group's Financial Performance

The Group achieved a 9% increase in the gross insurance premiums for the year 2021 compared to 2020. The gross premiums reached BD39.86 million and the net profit for 2021 grew to BD6.68 million, increasing by 28%. The largest contributor was Bahrain National Insurance whose commendable efforts brought in major and diverse businesses and helped achieve control in the quality of risks and claims.

Bahrain National Life Assurance also worked on developing its insurance portfolio by offering new products in the local market such as the school fees insurance plan "SANAD", as well as other life insurance plans and income-appropriate individual saving programmes. However, the coronavirus pandemic impacted the net profit when considering the magnitude of the portfolio related to the insurance of loans pertaining to major national banks that are insured by the company. Now, with the pandemic is subsiding gradually, it is expected that the company will achieve good results in 2022.

The Group professionally managed its investment portfolio resulting in the achievement of a 26% increase as compared to the already good performance of 2020.

Moreover, the development of the IT core system was successfully completed this year which will reflect positively on the quality, the performance level, and will enable the Group to offer new services that are in line with the evolving digitisation requirements to enable us build a closer connection with our customers and keep up with the new market trends that rely on information technology and artificial intelligence to offer a wide range of insurance products and deploying the same to enhance the quality of managing transactions and developing services while keeping the basic requirements in mind. The development of the IT core system will also have an impact on cost optimization, pricing and the assessment of performances. The Group's management is currently focusing on training its national cadre through specialised training programs and encouraging them to obtain highest levels of training, developing their skill sets and their educational qualifications to enhance their work experience, and developing succession plans in a scientific and practical manner.

Financial Performance of Subsidiary Companies

Bahrain National Insurance Company

New car sales experienced a sharp decline in 2021 due to the deficiency of global chips worldwide. However, the company managed to sustain its customer base and thanks to its effective policies in claim control, the company was able to achieve a 16% increase in net profits in the motor insurance division compared to 2020.

The property and general insurance division achieved a 6% increase in premiums and 34% increase in net profits compared to 2020.

Mrs. Eman Mojali, CEO of the company, was chosen as the ambassador of IBIS where she represents the Kingdom of Bahrain as well as the Middle East. IBIS is an organisation that gathers experts from across the

(Continued)

GROUP CHIEF EXECUTIVE'S REPORT

world in the field of vehicle repair in order to build a network of leaders who are specialised in improving the vehicle damage repair sector worldwide.

The company's new leadership has been restructured with the aim to develop its services and creating value for its customers through professional national cadre.

Bahrain National Life Assurance Company

The medical insurance division saw a good growth in 2021, the gross premiums increased by 27% compared to 2020, while the net profit increased by 83% compared to 2020.

The life insurance division also achieved 22% increase in gross premiums compared to 2020. However, due to the increase in death rate by 275% as a result of the coronavirus pandemic, the net profit decreased by 47%. Despite that the company managed to secure several high quality clients this year, the death rate was beyond control and does not reflect the quality of the good portfolio built by bnl over the past years.

bnl was awarded the "Life Insurance Company of the Year" by PAN Finance, a trusted source of global financial intelligence which identifies Global organisations that have excelled in their respective fields.

The Group's Investment Portfolio

The performance of the Group's investment portfolio played a notable role in the results achieved by the Group, and its subsidiaries. The Group achieved a 26% increase in net investment income from BD2.39 million in 2020 to BD3.01 million in 2021.

The performance of associate companies was generally better than 2020, thanks to the pandemic subsiding and life returning to normal which contributed to the performance of associate companies and achievement of better results.

Environmental, Social and Corporate Governance

The Group formed a dedicated Environmental, Social, and Governance (ESG) Committee with the aim of fully incorporating sustainability practices into the Group's strategy and decision-making processes. The new Committee serves as a testament to BNH's commitment to long-term sustainability and to realising the UN Sustainable Development Goals (SDGs) and Bahrain Vision 2030. The formation of the committee comes following the release of the Group's first ESG report in 2021, in conjunction with its 2020 Annual Report, marking a new level of transparency for the Group, which is constantly aiming in introducing new standards in accountability and commitment. In 2021, we formulated a three-phase sustainability strategy based on benchmarking assessment and best practices to enhance our ESG and sustainability management practices through our activities and operations. We aim to be a role model by taking responsibility and making a positive contribution to the environment, society, and the economy of Bahrain.

(Continued)

GROUP CHIEF EXECUTIVE'S REPORT

Economic Expectations

The Kingdom of Bahrain is passing through a good economic phase with improving oil prices and good government policy underpinned by fiscal balance and the process of revitalizing the private sector to improve its performance.

Post-pandemic expectations continue to remain unclear despite the drop in cases and The National Medical Taskforce immense effort in bringing the situation under control in a systematic manner. It is noteworthy that The National Medical Taskforce has dealt with the pandemic in a very professional manner and has worked towards restoring normalcy.

Similarly, improved oil prices will definitely contribute to the state's general budget and will drive infrastructure and development. However, the Russo-Ukrainian crisis is becoming complicated and its impact on the Gulf region remains to be unseen. Even though the region is geographically far from the conflict zone, the general impact of the crisis will undoubtedly have its direct and indirect impact.

As a group, we have expended all our efforts to diversify our investment portfolio and contribute to managing the affairs of subsidiaries to provide the best products and maintain the facilitation of insurance operations as well as benefit from the advanced information technology in developing high quality services offered to our customers.

2022 will be another challenging year and we look forward to achieving better growth to make our Group the first and best choice for our customers and shareholders.

Thank you!



Sameer AlWazzan

Group Chief Executive Officer

Subsidiaries



Bahrain National Insurance

Est. 1998

Capital BD 6.5 million

Bahrain National Insurance Company B.S.C.(c) is a wholly owned subsidiary of Bahrain National Holding Company and the General Insurance arm of the Group, offering a full range of products for businesses and individuals.



Bahrain National Life Assurance

Est. 2000

Capital BD 5 million

Bahrain National Life Assurance Company B.S.C. (c) is a 75% owned subsidiary of Bahrain National Holding and is the only local company specializing exclusively in providing a wide range of life and medical insurance products and services for businesses and individuals.



iAssist Middle East

Est. 2010

Capital BD 1.2 million

iAssist Middle East W.L.L is a wholly owned subsidiary of Bahrain National Holding company. It is a state of art car body shop that offers a full range of services; each designed to be performed in a structure series of operating procedures ensuring faster and more efficient performance.

Associates



United Insurance Company

Est. 1986 / Paid-up capital BD 5 million / Group share 20%

The United Insurance Company (UIC) provides insurance cover for passengers and vehicles crossing the King Fahad Causeway linking the Kingdom of Bahrain and Saudi Arabia.

www.uic.bh



National Finance House

Est. 2005 / Paid-up capital BD 7.5 million / Group share 34.93%

National Finance House (NFH) specialises in providing consumer and corporate financing for the purchase of private, commercial and heavy vehicles.

www.nfh.com.bh



Al Kindi Specialised Hospital

Est. 2008 / Paid-up capital BD 2.2 million / Group share 27%

Al Kindi is a private specialist hospital offering high standards of primary and secondary medical care. Al Kindi Specialised Hospital is equipped with a -24hour clinic, radiology unit, medical laboratory and pharmacy.

www.alkindihospital.com



Arabian Shield Cooperative Insurance Company

Est. 2006 / Paid-up capital SR 400 million / Group share 15%

The Arabian Shield Cooperative Insurance Company provides general (commercial and industrial) and medical insurance cover in the Kingdom of Saudi Arabia.

www.der3.com



Health °360 Ancillary Services W.L.L

Est. 2013 / Paid-up capital BD 0.6 million / Group share 20%

"Health °360 Ancillary Services W.L.L", is a Third party administrator (TPA) company based in the Kingdom of Bahrain. The company is providing claims management for insurance companies providing medical covers through a network of medical service providers.

www.health360.bh



Al Bayrooni Dialysis Centre

Est. 2021 / Paid-up capital: BD 0.25 million / Group Share: 24%

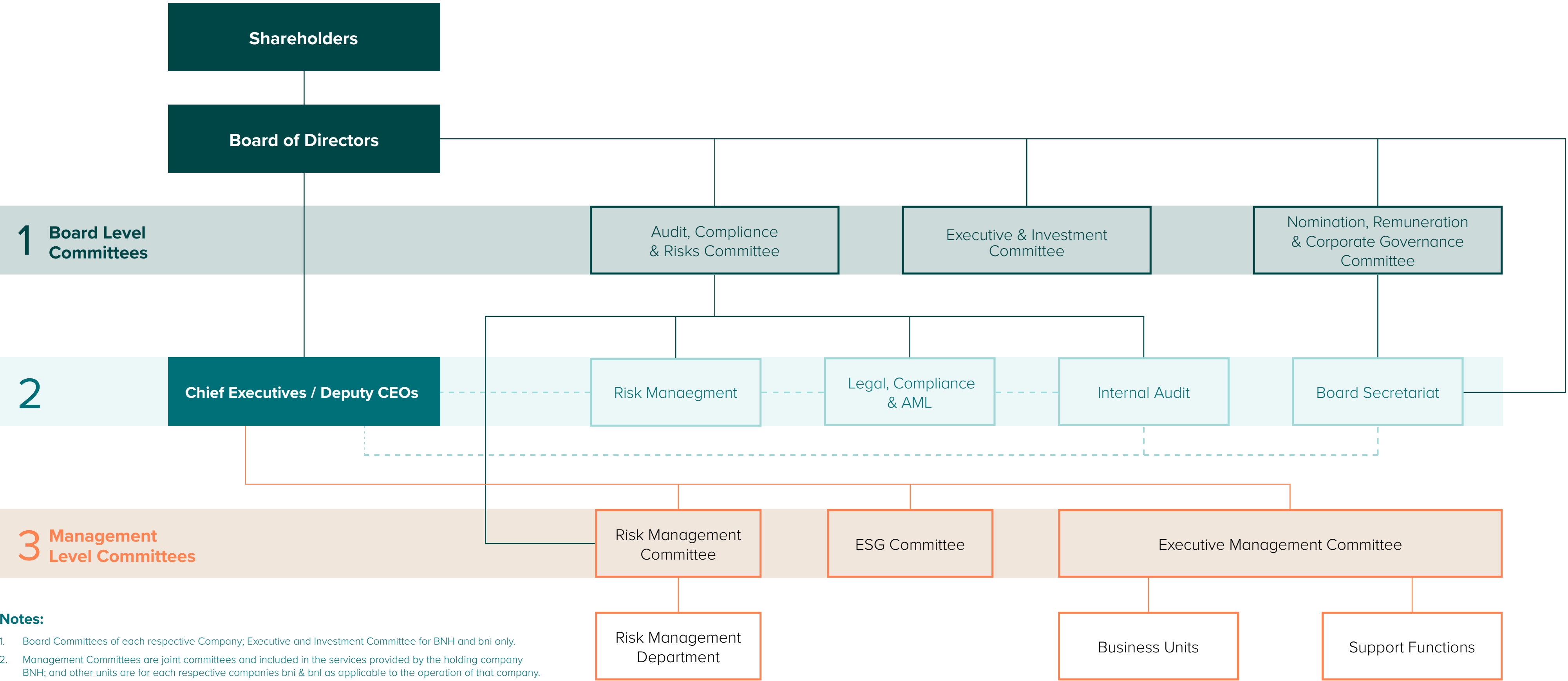
The first state-of-the art private Renal Care Provider dialysis centre in Bahrain. The Centre is part of a network of renal care centres to be established across the Kingdom to address the shortage of dialysis facilities in Bahrain and the long waiting lists for treatment. The Centre delivers exceptional patient-centered care and provides quality dialysis treatment to patients with chronic kidney disease supported by state-of-the-art equipment from leading providers in the industry. In addition to in-centre hemodialysis as a core service, the centre offers complementary non-renal services and home-dialysis to address the unique needs of every patient.

<http://www.albayroonidialysis.com/en/>

Corporate Governance

Corporate Governance

GROUP GOVERNANCE AND ORGANIZATION STRUCTURE



CORPORATE GOVERNANCE COMMITMENT

Bahrain National Holding (BNH/ Group) commits to undertake a system that is in line with the Corporate Governance Code of Bahrain, which was enacted by the Ministry of Industry, Commerce and Tourism and endorsed by the Central Bank of Bahrain in 2010 & later amended in 2018, in particular module HC – CBB rulebook in relation to companies' corporate governance and the Company's relevant policies and guidelines which are subject to periodic reviews, noting that the last updated version is adopted and implemented on 20 February 2022. BNH implements the Corporate Governance requirements in every aspect of the operations and responsibilities of the Group and recognizes it as a system whereby the Group's business operations financially and commercially directed and controlled.

The governance organizational structure defines the distribution of rights and responsibilities of the various parties involved in the Group, such as Shareholders, Board of Directors, Board Committees, Executive Management, and other Stakeholders. In addition, it acts as a guideline for the Group's decision making and strategy, in order to set a model that determines its objectives and the means that should be followed to achieve these objectives and performance monitoring.

Regulators

BNH and its subsidiaries maintained its full commitment to all applicable rules and regulations issued by the Central Bank of Bahrain and other regulatory authorities, without reporting any violations during the year 2021.

(Continued)

CORPORATE GOVERNANCE COMMITMENT

The Board





























































BNH's Board of Director consists of 10 non-executive members, were elected, and approved by the Central Bank of Bahrain in April 2020 for a term of 3 years. Following the election of the directors, each one signed a Letter of Appointment, setting out the terms of their tenure, duties and responsibilities, remuneration, attendance fees, code of conduct and confidentiality. Furthermore, in line with the corporate governance laws, rules and regulations, the Board members are subject to periodic training courses which are organized by the Group either internally or in cooperation with external training and education institutions. In addition, the Board, its Committees and members undergo an annual evaluation system in accordance with the relevant rules of governance.

The Board is committed to follow and adhere to the Groups' internal policies in relation to the business code of ethics as it is responsible for the stewardship of the Group's business and affairs on behalf of the Shareholders, with a view to enhancing long-term shareholders' value while protecting the rights and interests of other Stakeholders; and maintaining high standards of transparency and accountability. This has been achieved through the monitoring system that the Board has put in place via its Audit, Risk & compliance Committee whereby the Committees' Chairman represents to the Board the matters discussed in relation to the compliance with the applicable laws and regulations. Moreover, in order for the Board to ensure the implementation of the transparency policy, the Board is devoted to provide open communication channels with the Group's shareholders via the Group's website, emails, press and its social networking sites as well as the period shareholders' meetings. The names and profiles of Directors are listed on page [\(10\)](#).

(Continued)

CORPORATE GOVERNANCE COMMITMENT

Directors’ Attendance at Board Meetings in 2021

Board members	Title	22-Feb	11-May	10-Aug	4-Oct	11-Nov	1-Dec	Attendance %
Farooq Yusuf Almoayyed	Chairman (Independent Non-Executive Director)							100%
Abdulhussain Khalil Dewani	Vice Chairman (Non-Executive Director)							100%
Abdulrahman Mohamed Juma	Board Member (Non-Executive Director)							100%
Jehad Yusuf Amin	Board Member (Independent Non-Executive Director)							100%
Sami Mohamed Sharif Zainal	Board Member (Non-Executive Director)							100%
Ayad Saad Algosaibi	Board Member (Independent Non-Executive Director)							100%
Ghassan Qasim Fakhroo	Board Member (Non-Executive Director)							100%
Talal Fuad Kanoo	Board Member (Non-Executive Director)							83%
Ali Hasan Mahmood	Board Member (Non-Executive Director)							100%
Redha Abdulla Faraj	Board Member (Independent Non-Executive Director)							100%

 Physical Attendance  Virtual participation

- Mr. Farooq Yusuf Almoayyed is the Chairman of the Board.
- The induction and orientation process for the Board of Directors is carried out with the assistance of the Group Chief Executive and the Board Secretary, by way of continuous meetings and discussions with the Senior Management, and External and Internal Auditors, in order to increase awareness of current issues and market trends.
- The Board of Directors is required to meet at least four times in a financial year, and Board members must attend at least 75% of meetings held during a financial year.
- The remuneration for Directors is determined by the Shareholders at the Annual General Meeting.

(Continued)

CORPORATE GOVERNANCE COMMITMENT

Description of the remunerations including sitting fees paid to the directors for their membership and attendance of the Board and Board’s committees in the financial year 2021 according to the following table:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
Independent directors:													
Farooq Yusuf Almoayyed	25,000	6,000	—	1,382	32,382	—	—	—	—	—	—	32,382	—
Jehad Yusuf Amin	15,000	7,400	—	514	22,914	—	—	—	—	—	—	22,914	—
Ayad Saad Algosaibi	15,000	8,200	—	514	23,714	—	—	—	—	—	—	23,714	—
Redha Abdulla Faraj	15,000	7,800	—	1,382	24,182	—	—	—	—	—	—	24,182	—
Non-Executive Directors:													
Abdulhussain Khalil Dewani	15,000	5,800	—	1,382	22,182	—	—	—	—	—	—	22,182	—
Abdulrahman Mohamed Juma	15,000	7,000	—	1,382	23,382	—	—	—	—	—	—	23,382	—
Sami Mohamed Sharif Zainal	15,000	6,600	—	514	22,114	—	—	—	—	—	—	22,114	—
Ghassan Qassim Fakhroo	15,000	7,000	—	514	22,514	—	—	—	—	—	—	22,514	—
Ali Hasan Mahmood	15,000	6,600	—	1,382	22,982	—	—	—	—	—	—	22,982	—
Talal Fuad Kanoo	15,000	5,000	—	514	20,514	—	—	—	—	—	—	20,514	—
Total	160,000	67,400	—	9,480	236,880	—	—	—	—	—	—	236,880	—

(Continued)

CORPORATE GOVERNANCE COMMITMENT

Board of Directors & Executive Management Shares

January to December 2021

Name of Shareholder	Title	Number of shares as at 1 st January 2021	Number of shares As At 31 st December 2021	Changes
DIRECTORS				
Farooq Yusuf Almoayyed	Chairman	1,395,792	1,395,792	—
Abdulhussain Khalil Dewani	Vice Chairman	1,427,152	1,427,152	—
Abdulrahman Mohamed Juma	Board Member	687,794	687,794	—
Jehad Yusuf Amin	Board Member	3,200,000	3,330,192	130,192
Ali Hasan Mahmood	Board Member	530,881	530,881	—
Ayad Saad Algosaibi	Board Member	105,000	105,000	—
Sami Mohamed Sharif Zainal	Board Member	64,058	64,058	—
Talal Fuad Kanoo	Board Member	152,037	152,037	—
Ghassan Qasim Fakhroo	Board Member	105,000	105,000	—
EXECUTIVE MANAGEMENT				
Sameer Alwazzan	Group CEO	114,741	114,741	—

Description of the transactions of the directors, their spouses and sons on the Group’s shares during the year 2021 according to the following table:

Name	Position/kinship	Shares held as at 31 st December 2021	Total sale transaction	Total purchase transaction
Jehad Yusuf Amin	Board Member	3,330,192	—	130,192



BOARD COMMITTEES

Audit, Compliance & Risks Committee (ACRC)

Responsibilities

- Oversee the selection and compensation of the External Auditors and ensure their professionalism as required for appointment and approval at the Board and Annual General Meeting.
- Approve the appointment, replacement, reassignment or dismissal of the Head of Internal Audit.
- Review and approve the annual Internal Audit, Compliance and Risk plans.
- Review audited annual, quarterly and half-yearly Financial Statements, and discuss with the Board and obtain its approval.
- Assist in developing the Risk Management framework.
- Ensure compliance with all relevant regulatory and legal rules.
- Carry out the instructions of the Board for all investigations.
- Review arrangements for Whistle Blowing and ensure that whistle blowers are heard, and their rights are safeguarded.
- Oversee procedures and internal controls consistent with the Corporate Governance structure.
- Monitor the effectiveness and integrity of internal control systems.
- Ensure that all ACRC members are familiar with significant accounting and reporting issues, practices and management estimates including recent professional and regulatory pronouncements and understand their impact on the Financial Statements.
- Review and discuss the adequacy of internal audit personnel, procedures, internal controls, compliance procedures, and any risk management systems.
- Ensure processes are established and maintained to address critical financial reporting risks and transparency of financial reporting.
- Assess independence, accountability, and effectiveness of External Auditors.

Directors' Attendance at ACRC Meetings in 2021

Members	Title	16 Feb	6 May	5 Aug	4 Nov	Attendance %
Redha Abdulla Faraj	Chairman					100%
Ayad Saad Algosaibi	Vice Chairman					100%
Abdulrahman Mohamed Juma	Member					75%
Ali Hasan Mahmood	Member					100%

 Physical Attendance  Virtual participation

- Mr. Redha Abdulla Faraj is the Chairman of the ACRC.
- Mr. Redha Abdulla Faraj and Mr. Ayad Saad Khalifa Algosaibi are independent members.
- The ACRC is required to meet at least four times in a financial year.

Profiles of ACRC Members are available on page [\(10\)](#).

(Continued)

















BOARD COMMITTEES

Executive & Investment Committee (EIC)

Responsibilities

- Monitor the development of Group strategy in accordance with the 3-year business plan.
- Guide, monitor and coordinate the management and performance of the Group in line with approved strategies, business plan and budget.
- Develop and monitor investment policy as part of the overall business plan.
- Review and recommend business and investment opportunities.
- Assist in maintaining oversight of the financial requirements of the Group. To ensure that the Group has in place tools to monitor performance and that its Key Performance Indicators (KPI) are being checked and achieved.

Directors' Attendance at EIC Meetings in 2021

Members	Title	3 May	24 June	3 Oct	23 Nov	Attendance %
Ghassan Qasim Fakhroo	Chairman					100%
Sami Mohamed Sharif Zainal	Vice Chairman					100%
Jehad Yusuf Amin	Member					100%
Ayad Saad Algosaibi	Member					100%

 Physical Attendance  Virtual participation











- Mr. Ghassan Fakhroo is the Chairman of the EIC.
- The EIC is required to meet at least four times in a financial year.

Nomination, Remuneration & Corporate Governance Committee (NRCG)

Responsibilities

- Monitor the establishment of an appropriate Corporate Governance framework.
- Nomination of members of Board and Sub-committees Group CEOs, Deputy CEOs, CFO and Corporate Secretary
- Make necessary recommendations to the Board as to changes of the Board and its Committees.
- Assist in designing a succession plan for the Board and Senior Executives.
- Recommend to the Board the remuneration policy and individual remuneration packages for all Senior Executives.
- Evaluate the performance of the Board, Board members, Committees and Senior Executives.

Directors' Attendance at NRCG Meetings in 2021

Members	Title	22 Feb	11 Nov	Attendance %
Farooq Yusuf Almoayyed	Chairman			100%
Abdulhussain Khalil Dewani	Vice Chairman			100%
Jehad Yusuf Amin	Member			100%
Redha Abdulla Faraj	Member			100%
Abdulrahman Mohamed Juma	Member			100%

 Physical Attendance  Virtual participation

- Mr. Farooq Yusuf Almoayyed is the Chairman of the NRCG.
- The NRCG is required to meet at least twice a year.

(Continued)

BOARD COMMITTEES

Evaluation of Board & Committees

Based on the Corporate Governance requirements, the Board conducts a self-evaluation on its performance, performance of each committee, and individual Director on an annual basis.

The evaluation process is carried out through the completion of a structured questionnaire against certain pre-defined rating criteria.

At BNH Group, the Nomination, Remuneration and Governance Committee is responsible for overseeing the process and results which indicates that all Board and its sub-committees have accomplished the tasks assigned to them to the fullest and consider appropriately any recommendations arising out of such evaluation.

Management

The Board has delegated the responsibility for the day-to-day management of the Group’s Business to the Group Chief Executive Officer (Group CEO), who is supported by an experienced Senior Management team and a number of Operational Committees which are presented in this report. The names and profiles of the Group CEO and Senior Management team are listed at the front of this annual report [\(18\)](#).

The total of the top 6 remunerations paid in 2021 to the key Management staff including salaries, privileges, allowances and annual bonus: BD 731,930

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	553,378	166,000	12,552	731,930

1. Remuneration earned if the executives are also on the Board of Directors of subsidiaries or other entities of the Group are excluded.
2. Disclosure is for the top 6 executives who are employees of the entity as on the reporting date.

OPERATIONAL COMMITTEES

BNH Executive Management Committee

Objectives

- Provide a forum by which the ideas and opinions of the Senior Management team are considered in issues relating to Group policy and strategy, and for exchanging inter- departmental information.
- Provide assurance to the Board that the affairs of the Group are overseen by a team of Senior Managers.
- Achieve standardization of policies and practices across the Group.
- Exercise such financial authorities as the Board may grant and achieve dispersion of financial authority.
- Provide a forum by which future general management talent within the Group can be exposed to cross-functional / general managerial issues.
- Ensure that all Board decisions are complied with.
- Inculcate a team culture within the Group.

Membership

- Masood Bader, Group Deputy Chief Executive, BNH – Chairman
- Anand Subramaniam, Group Chief Investment and Financial Officer, BNH – Member
- Eman Mojali, Chief Executive Officer, bni – Member
- Enas Asiri, Chief Executive Officer, bnl - Member
- Anantha Ramani, Finance and Investments Senior Manager , BNH – Member
- Mohsin Ali, Finance Senior Manager, BNH – Member
- Bashayer Dhaif, Corporate Communications Senior Manager & ESG Officer, BNH – Member
- Sami Askar, Information Technology & Digital Transformation Senior Manager, BNH – Member
- Maryam Al Ahmed, Human Capital Senior Manager, BNH – Member
- Husain Mubarak - Facilities Manager, BNH - Member
- Abdulla Rawanbakhsh, Internal Audit Assistant Manager, BNH – Member
- Esther Pinto, Personal Assistant to the CEO, BNH – Committee Secretary

(Continued)

OPERATIONAL COMMITTEES

Risk Management Committee

Responsibilities:

- Coordinating decision-making to ensure consistency in the risk management responses
- Overseeing the development and implementation of the Enterprise Risk Management Framework
- Monitoring the on-going performance of the Enterprise Risk Management Framework
- Ensuring that responsibility and authorities are clearly defined and that adequate resources are assigned to the Enterprise Risk Management Framework
- Regularly reviewing the suitability of the risk management processes and risk responses
- Providing a comprehensive view of the organization's risk profile to the Board of Directors
- Ensuring that the Business Continuity Plan is reviewed and monitored
- Ensuring that the corporate plan and strategy risks are periodically reviewed
- Ensuring that the organization's insurance program is reviewed annually
- Take risk decisions at management committee level and escalate further required risk decisions at the Board of Directors to the Audit, Compliance & Risk Committee
- Ensuring risk mitigations and controls are implemented by various business units and support functions

Membership

- Sameer Alwazzan, Group Chief Executive, BNH - Chairman
- Masood Bader, Group Deputy Chief Executive, BNH - Member
- Anand Subramaniam, Group Chief Investment and Financial Officer, BNH – Member
- Eman Mojali, Chief Executive Officer, bni – Member
- Enas Asiri, Chief Executive Officer, bnl – Member
- Mohamed Al Abbasi, Compliance & AML Senior Manager, bni – Member
- Sami Askar, Information Technology & Digital Transformation Senior Manager, BNH – Member
- Abdulla Rawanbakhsh, Internal Audit Assistant Manager, BNH – Member
- Faisal Husain, Risk Manager, bni - Committee Secretary

ENVIORNMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITTEE

The Environmental Social and Governance Committee (“ESG Committee”) purpose is to support the Group’s ongoing commitment to environmental stewardship, health and safety, diversity and inclusion, corporate social responsibility, corporate governance, and sustainability as relevant to the Group. The ESG Committee consists of a group of cross-functional executives.

Responsibilities:

The duties and responsibilities of the ESG Committee shall be as follows:

- To set the tone and reinforce the culture within the Group regarding sustainability, promote open discussion and integrate ESG into the Group’s processes and goals.
- To assist in the setting of the Group’s general strategy with respect to ESG matters and to consider and recommend policies, practices and disclosures that conform with such strategy.
- Review annual ESG plan for BOD approval
- To assist in overseeing internal and external communications with employees, customers, investors, and other stakeholders regarding the Group’s position on or approach to ESG matters, including by coordinating and reviewing, as appropriate, draft responses, reports or other disclosures to stakeholders.
- To consider the current and emerging ESG matters that may affect the business, operations, performance, or public image of the Group.
- Monitoring global public policy trends, issues, regulatory matters, and other concerns related to ESG.

- Advising and making recommendations to the Management on actions that the Group and Committee can take to support the Group’s sustainability initiatives.
- Review ESG periodical reports and take corrective actions to enhance the Group’s evaluation and index.
- To perform such other duties, tasks, and responsibilities relevant to the purpose of the ESG Committee as may from time to time be requested by the CEO, Deputy CEOs, or the Board of Directors.
- The Committee shall be the guardian of the BNH ESG strategy and roadmap and ultimately be responsible for BNH’s overall ESG performance, and ESG reporting, including level of involvement from other departments, management of approvals, implementation, and accountability to achieve the sustainability objectives.

Committee Members:

- Bashayer Dhaif, Senior Corporate Communications Manager and ESG Officer, BNH – Chairman
- Sami Askar, Information Technology & Digital Transformation Senior Manager, BNH – Member
- Maryam AlAhmed - Human Capital Senior Manager, BNH – Member
- Faisal Husain - Risk Management Manager, bni - Member
- Husain Mubarak - Facilities Manager, BNH - Member
- Maryam Abdulla - Deputy Compliance Senior Officer & DMLRO, bni - Member
- Haifa Mansoor – Senior Brand Officer, BNH - Committee Secretary

Compliance

BNH and its subsidiaries are fully aware of their responsibilities and commitment toward regulatory requirements to ensure compliance across all business activities with the applicable rules, regulations and guidelines of the Central Bank of Bahrain & other regulatory authorities. The responsibility for ensuring the Group’s compliance lies with the independent Compliance & AML Department that directly reports to the Board’s Audit and Compliance and Risk Committee (ACRC), in addition to its role of acting as a focal point with regulators. As part of its responsibility to ensure Group compliance and assess the adequacy and effectiveness of systems and controls in place, the Department has an in-house built Matrix for conducting an ongoing monitoring process (Compliance Monitoring Programme). Compliance activities are performed in accordance with an established plan, approved by the ACRC of the Board.

Anti-Money Laundering (AML)

The Group is fully committed to comply with its obligations to combat money laundering, terrorist financing and proliferation of weapons. Accordingly, the Group has in place defined policies and procedures that are in line with the AML Law Decree No. (4) of 2001 and regulations of the Central Bank of Bahrain to prohibit, prevent, detect and report any money laundering, terrorist financing and proliferation of weapons activities through implementing appropriate systems, processes and controls. On an annual basis, the Group conducts a thorough review of its policies, procedures, internal directives in addition to arranging specialized courses to ensure ongoing compliance. The Group subsidiaries has submitted its external auditors report for the year 2020 in accordance with the requirement of the Central Bank of Bahrain. With the increase of our business volume and daily transactions, the Group took a strategic direction to invest in an automated AML solution which is expected to go live by first half of 2022 that will assist in facilitating a smooth workflow between concerned departments, enhance current investigations, sanctions and AML/CFT/CPF screenings, in addition to, understanding our customers behavioral pattern to ensure concerns are escalated with the appropriate authority or relevant stakeholders.

Internal Audit

The quality of the internal control system is assessed by the Group’s Internal Audit function. This function conducts independent, objective assurance activities, analyzing the structure and efficiency of the internal control system as a whole. In addition, it

also examines the potential for additional value and improvement of the organization’s operations. Fully compliant with all international auditing principles and standards, Internal Audit contributes to the evaluation and improvement of the effectiveness of the risk management, control, and governance processes. Therefore, internal audit activities are geared towards helping the Group to mitigate risks, and further assist in strengthening its governance processes and structures.

External Auditors

At the recommendation of the Board of Directors, the shareholders appointed KPMG as auditor for the 2021 individual and consolidated financial statements, the auditor’s review of the 2021 quarterly, half-yearly and year-end financial report.

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

KPMG auditors are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to the audit of the consolidated financial statements in the Kingdom of Bahrain, and they have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. In addition to external audit services, our external auditors provide number audit-related services, including Agreed-Upon procedures in accordance with the International Standard on Related Services applicable as requested by Central Bank of Bahrain and Ministry of Industry, Commerce and Tourism.

Audit and non-audit fees paid by the Group for 2021

	Amount
Audit and review fees	39,450
Non-audit fees	12,000

Whistle Blowing Policy

In its commitment to the highest standard of good governance practice, the Group has in place a Whistle Blowing policy designed to enable employees, vendors, service providers, customers or any third party to raise any misconduct or concern with high level of confidentiality. The policy explains process for reporting any misconduct or concerns to the concerned officials without fear of any retaliation. The policy is accessible to all employees and customers or third parties through the Group's intranet and website, respectively.

Transparency & Efficiency

In developing its Corporate Governance process guiding principles, the Group aims to maximize transparency and efficiency of the whole process for the benefit of all stakeholders, particularly in the areas of insider/key person trading, anti-money laundering, information security and the sound management of financial assets.

Employment of Relatives

The Management, in general, does not allow the employment of "closely related" persons. However, if there is no apparent conflict of interest stemming from personal or a business relationship, such employment may be permitted by the Group CEO / Subsidiary CEO/ Board of Directors, looking into the circumstances of each case.

"Closely related" in this context will include spouses, parents, children, siblings, and in-laws (Father-in-law, Mother-in-law, Brother-in-law, Sister-in-law, Son-in-law & Daughter-in-law). Such relationships should be declared to the Group prior to the commencement of employment. Failure to do so may result in termination of the services of the concerned employee, "Employee" in this context will include all CBB approved persons.

In case of marriage between two employees working in the same company within the Group, approval of the Group CEO/Subsidiary CEO must be obtained to continue employment in the Group after the marriage.

Policies & Procedures

During 2021, BNH continued to regularly review and update all key policies and procedures manuals, covering critical operational areas in the Group's subsidiaries and across all functions of the organization.

Directors & Officers Liability Insurance

The Group is insured under a Directors & Officers Insurance Policy. The adequacy of the cover is measured in terms of size of the assets and future growth expectations of the Group. It is worth mentioning that no claims have been reported during the last 10 years.

Key Persons Trading

The Group's compliance with the latest Key Persons Trading regulations of the Central Bank of Bahrain is supervised by the Audit, Compliance & Risk Committee which reports to the Board of Directors. The Group has submitted its Internal Audit report for the year 2020 in accordance with the requirement of the Central Bank of Bahrain.

Code of Conduct

The Group has developed a Code of Business Ethics that governs the behavior and working practices of the Directors, Management, and staff. The compliance with the code of Business Ethics by the staff is being monitored, while Board members collectively or individually monitor compliance.

Penalties

The Group did not pay any financial penalties to the Central Bank of Bahrain during the year.

Communications

The Group is committed to communicating effectively with all its Stakeholders – both Internal and External – in a timely, transparent and professional manner. The Group’s main communications channels include the annual general meeting, quarterly/annual report, consolidated financial statements, corporate brochure, corporate website, Group intranet, press releases and announcements in the local and regional media.

Corporate Secretary

In accordance with the Corporate Governance Code and Kingdom of Bahrain principles, the Group has a separate section dealing with the Group corporate secretariat function. The function resides with the Group corporate secretary who is responsible for ensuring the integrity of the governance framework, being responsible for the efficient administration of the Group, ensuring compliance with statutory and regulatory requirements and implementing decisions made by the Board of Directors.

The Board secretariat extends its support to the Board by maintaining a smooth functioning of the Board Committees and ensuring meetings are properly called and organized, and that minutes are accurately recorded.

Succession plan

In accordance with the requirements and principles of Corporate Governance, the Board of Directors has reviewed and approved the succession plan, including the policies and principles of selecting the successor to the Group CEO, whether in case of emergency or in the context of normal business. In addition, the management in coordination with the Board of Directors has put in place a succession plan for the Senior Management individuals of the Group, which is being implemented in accordance with the plan.

Complaints

The Group subsidiaries always strive for a convenient and phenomenal customer experience while providing suitable insurance services for customers. Consequently, we have adopted a customer complaint approach for concerns accessible to all customers through various channels including our branches, call centre, complaints unit and online via our websites or WhatsApp.

The complaint process consists of two process flows, (i) handling complaints; and (ii) reporting complaints. For handling the customer complaints, the subsidiaries have a dedicated Complaint Officer to facilitate receiving and acknowledging of complaints, recording information and details pertaining to complaint, investigating complaints, and responding to complaints. If the customer is not satisfied with the resolution or the complaint is not resolved within 30 calendar days, customers have the right to escalate the case to the CBB.

To facilitate engagement process with our customers, we have published an easy-to-use guide which can be found in hard copy at branches and an online version on our websites, which also assists in providing transparency on the complaint’s procedure and reassurance to customers that we recognize their rights to express concerns.

Conflict of Interests

Directors, key shareholders, senior executives, and other employees of the company shall avoid cases that lead to conflicts of interest with the company and deal with such cases in accordance with the provisions of the Commercial Companies Law and the Corporate Governance Code of Bahrain. The Board of Directors internal regulations state that any director or member of the executive management who enters a transaction involving a conflict of interest shall need the approval of the Board of Directors. Any officer or director in the company who, himself or the party he represents in the Board of Directors, have a joint or conflicting interest in a transaction presented to the board for a decision shall disclose it to the Board of Directors and prove it in the minutes of meeting. The concerned person shall not be entitled to participate in the deliberation, discussion and voting of the decision on these transactions. The disclosure shall include the essence of the transaction and its impact on the integrity of the Group's decisions and transactions, rather than the legal form. The Chairman shall report to the general assembly the results of the related-party transactions approved by the Board of Directors at the first meeting following the implementation of the transaction, and the reporting shall be on a case-by-case basis (i.e according to transaction and related parties) and accompanied by a report from the external auditor. Details of the related-party transactions and the classification of the amounts due to these parties and the receivables therefrom shall be disclosed to the shareholders in the Group’s annual report. The Group's auditors shall ensure that the related parties perform all their obligations relating to these transactions and any transactions to which they were a party in the following year. Reference shall also be made to international standards and other laws relevant to financial reporting to calibrate and disclose such transactions.

Ownership of Shares

Statement of shareholders' equity as of 31 December 2021

	Shareholder classification	Shareholding %			Total
		Individuals	Corporate	Government or Organizations	
1	Local	57.76%	26.84%	0.23%	84.83%
2	Arab	2.03%	13.10%	-	15.13%
3	Foreign	0.04%	-	-	0.04%
4	Total	59.83%	39.94%	0.23%	100.00%

Nationality	No of shareholders	No of shares	% of shareholding
BAHRAINI	607	101,092,874	84.83%
EMARATI	4	81,500	0.07%
KUWAITI	2	15,133	0.01%
QATARI	2	4,318	0.00%
SAUDI	11	2,311,423	1.94%
INDIAN	3	46,127	0.04%
IRAQI	3	15,617,467	13.10%
MOROCCON	1	6,158	0.01%
Total	633	119,175,000	100.00%

Description of how shareholders are distributed according to their respective shareholding as at 31 December 2021 as follows:

	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	456	6,042,396	5.07%
2	50,000 to 500,000	128	21,903,578	18.38%
3	500,000 to 5,000,000	46	69,227,697	58.09%
4	>5,000,000	3	22,001,329	18.46%

Major shareholders

	Name	Number of shares held	Shareholding %	Name of the natural person, the final	Nationality
1	National Insurance Company	7,808,734	6.55%	NA	Iraqi
2	Abdulhameed Zainal Mohamed Zainal	7,625,839	6.40%	NA	Bahraini
3	Bahrain National Holding	6,566,756	5.51%	NA	Bahraini

Status of compliance with CBB's High Level Controls (HC) Module

BNH as a Bahrain Bourse listed company and the Group subsidiaries (bni and bnl) as a CBB regulated entities are required to comply with the High Level Controls (HC) Module of the CBB Rulebook, Volumes 6 and 3. The HC Module contains both Rules and Guidance; Rules must be complied with, but Guidance may either be complied with or noncompliance explained to the shareholders by way of an annual report and to the CBB.

BNH has provided the following explanations in relation to the below Guidance in Module HC Volume 6:

HC-1.3.6 states that No Director holds more than 3 Directorships in public companies in Bahrain with the provision that no conflict of interest may exist (which includes having an interest in companies in the same line of business), and the board should not propose the election or re-election of any director who does. Two of BNH directors, Mr. Farooq Almoayyed and Mr. Jehad Amin hold more than three but not more than 5 directorships in public companies in Bahrain which is compliance with principle 1 of the Corporate Governance Code 2018 and there is no conflict of interests between their other directorships and that of the Group.

Changes in HC Module during 2021

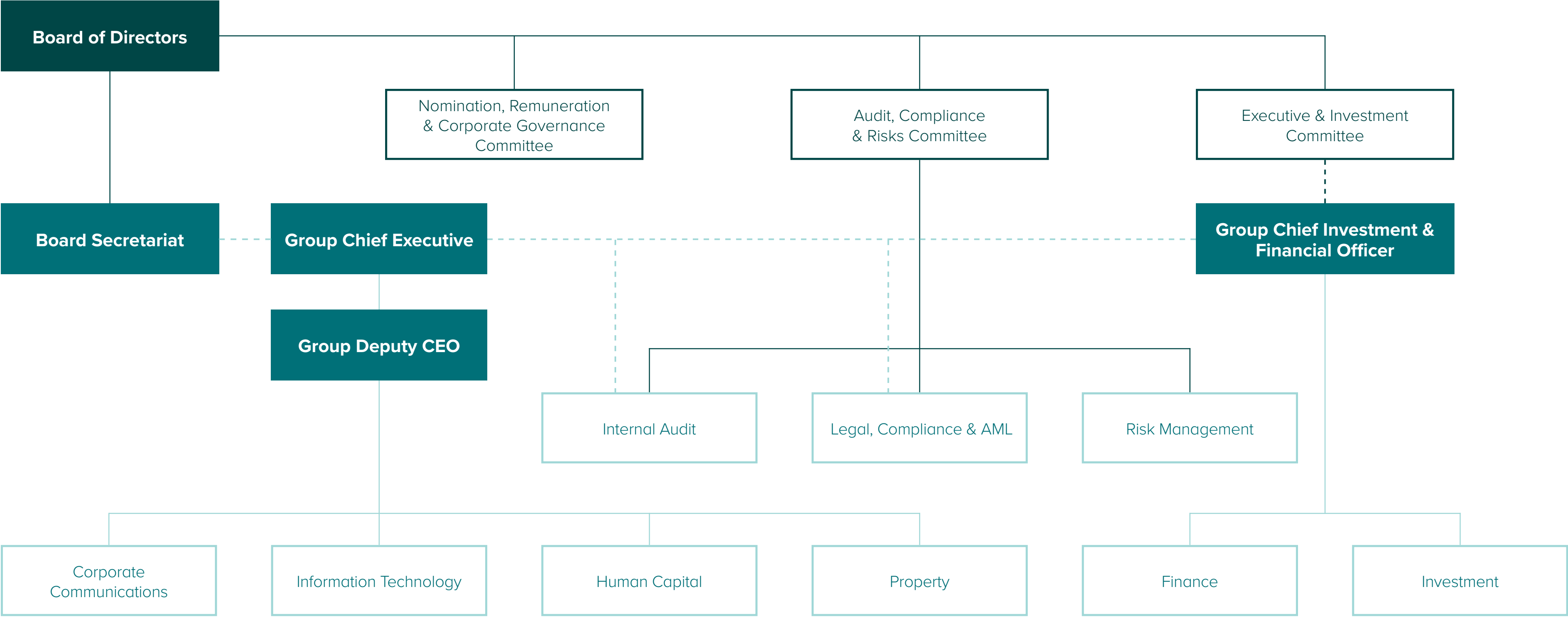
Based on CBB Rulebook quarterly updates on Volume 3, High Level Controls Module for Insurance Licensees has witnessed the below summary of changes:

- HC-1.5.8 - The Board must review the independence of each director at least annually in light of interests disclosed by them and their conduct.
- HC-1.5.10 – An independent director will lose his/her independence status after serving three consecutive terms on the board.
- HC-1.5.11 - Where a Chief Executive Officer of an insurance firm, who is also a Board member, no longer occupies the CEO position, his/her Board Membership must be immediately terminated.
- HC-4.4.3 - Licensees must notify the CBB immediately on any change in board categorisation.

ORGANIZATION CHART



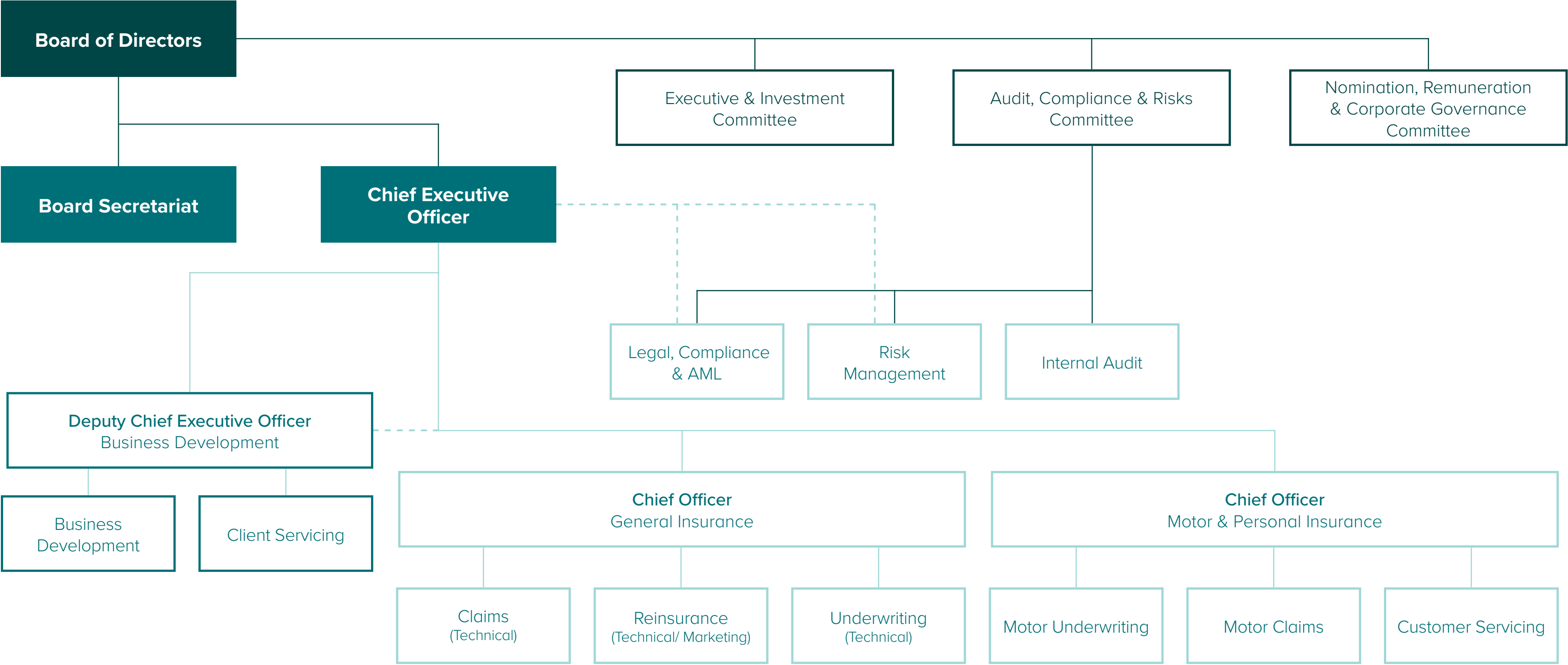
Bahrain National Holding



ORGANIZATION CHART



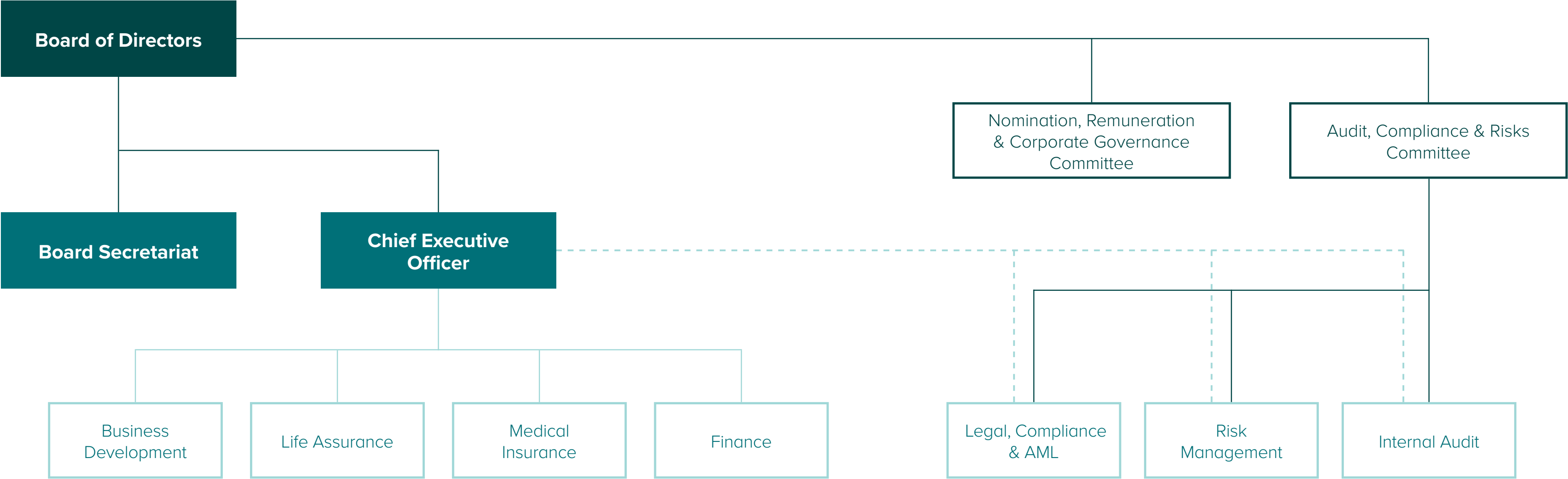
Bahrain National Insurance



ORGANIZATION CHART



Bahrain National Life Assurance



CONTACTS

Bahrain National Holding B.S.C.

BNH Tower 2491, Road 2832
Block 428, Seef District
P.O Box 843
Kingdom of Bahrain

Tel: 17 587 300
Fax: 17 583 077

www.bnhgroup.com

Bahrain National Life Assurance B.S.C (c)

BNH Tower 2491, Road 2832
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Tel: 17 587 333
www.bnl4life.com

Bahrain National Insurance B.S.C (c)

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P.O Box 843
Kingdom of Bahrain

Call Centre: 8000 8288
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Commercial Insurance

Tel : +973 1758 7400
Fax : +973 1758 3299

Motor & Personal Lines Insurance

WhatsApp: 3933 8288
Tel : +973 1758 7444

Home Assist and Car Pickup & Delivery

Tel: 6813 1750

Road Assist

Tel: 1255 8000

Complaints Unit

Tel: 7400 1758

iAssist - Middle East

Building 1402, Road 426
Block 704, Salmabad
P.O. Box 80540,
Kingdom of Bahrain

Tel: 17 112 380 - 17 112 390
WhatsApp: 3671 1255
Fax: 17 112 398
www.iassist-me.com

Auditors of the Group

KPMG Fakhro
P.O. Box 710,
Kingdom of Bahrain

Primary bankers of the Group

Ahli United Bank
National Bank of Bahrain
National Bank of Kuwait

Registrars of the Group

KFin Technologies
(Bahrain) W.L.L.

Actuaries

Actuscope Consulting Actuaries

P.O Box 11-7503 Riad El Solh
Beirut 1107 2240, Lebanon

Lux Actuaries and Consultants W.L.L.

Office No. 41, Building no. 2420,
Road 5718, Amwaj 257
Kingdom of Bahrain

Listing

Bahrain Bourse

bni's Branches and Outlets

Seef Branch

BNH Tower
Seef Business District,
Manama

Manama Branch

Al Hedaya Plaza Building, Shop 61,
Building 61, Road 383, Block 305,
Government Avenue, Manama

Muharraq Branch

Promoseven Holding Building
Shop 2, Ground Floor Road 1531, Block 215,
Al Ghous Highway, Muharraq

Budaiya Branch

Unit No. 9, Najibi Center,
Building No. 3, Saar Avenue,
Block No. 515, budaiya

Zinj Branch

Manama Plaza,
Shop No. 61, Building No.63, Abdul Rahman Jassim
Kanoo Avenue, Block No.332, Bahrain

Tubli Branch

Toyota Plaza, Building No. 959,
Tubli Service Road
Road 126, Block 701, Tubli

Sanad Branch

bni Complex, 2nd Floor, Office 21
Building 1809, Road 4635
Block 646, Sanad

Sitra Branch (Drive Thru)

Building 946 Road 115,
Block 601
Industrial Area, Sitra

Group Financial Report

Independent Auditors’ Report to The Shareholders

Bahrain National Holding Company B.S.C

9th floor, BNH Tower,
Al Seef Business District,
Kingdom of Bahrain



KPMG Fakhro

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P.O. Box 710, Manama
Kingdom of Bahrain

CR No. 6220

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Fax: +973 17 227 443

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OPINION

We have audited the consolidated financial statements of Bahrain National Holding Company B.S.C (the “Company”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code

of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the shareholders (continued)

INSURANCE TECHNICAL PROVISIONS

Refer to the use of estimate and management judgement in note 5(b)(i), 5(b)(ii), accounting policy in note 5(a)(ii), 5(a)(iii) and disclosures in note 16 to the consolidated financial statements.

The key audit matter

We focused on this matter because:

- as at 31 December 2021, the Group had significant technical insurance provisions, representing 72% of the Group's total liabilities and relating to outstanding claim reserves, life actuarial reserve, claims that have been incurred at reporting date but have not yet been reported to the Group, and unearned premiums
- the valuation of technical insurance provisions involves high level of subjectivity, significant judgment and assumptions, in particular life actuarial reserves and claims that have been incurred at reporting date but have not yet been reported to the Group involve significant judgement over uncertain future outcomes, including primarily the timing and amount of ultimate full settlement of policyholder liabilities; and
- internal claim development methods and actuarial models are used to support the calculation of insurance technical reserves. The complexity of the models may give rise to errors as a result of inaccurate/incomplete data or the design or application of the models may be inappropriate. Assumptions used in actuarial models, such as historical claims, which can be used to project the trend of future claims, mortality, morbidity, expenses, lapse rates, and so on, are set up in applying estimates and judgements based on the experience analysis and future expectations by management.

How the matter was addressed in our audit

Our audit procedures, with the assistance of our actuarial specialists, included:

- testing the design and operating effectiveness of the key controls around recording and reserving process for reported claims, unreported claims and unearned premium;
- testing samples of outstanding claims and related reinsurance recoveries and subrogation claims, focusing on those with most significant impact on the consolidated financial statements to assess whether claims and related recoveries are appropriately estimated;
- for major lines of business, we assessed the reasonableness of the key assumptions, such as loss ratios, risk factors, claims adjustment expenses, frequency and severity of claims, which were used in the valuation models and comparing them to the Group's historical data;
- we evaluated whether reserving was consistent in approach, with sufficient justification for changes in assumptions. We used our industry knowledge to benchmark the Group's reserving methodologies and estimates of losses. Our audit focused on lines of business with most inherent uncertainty;
- we also considered the appropriateness of information provided to external independent actuarial experts engaged by the Group and considered their scope of work and findings to corroborate adequacy of management estimates on claims reserving; and
- evaluating the adequacy of the Group's disclosures related to technical insurance provisions in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

Independent auditors' report to the shareholders (continued)

IMPAIRMENT OF INSURANCE RECEIVABLES AND RECOVERIES

Refer to the use of estimate and management judgement in note 5(b)(iii), accounting policy in note 5(a)(vii) and 5(a)(xiii) and disclosures in notes 7 and 32(d)(i) to the consolidated financial statements.

The key audit matter

We focused on this matter because:

- as at 31 December 2021, the Group had significant insurance receivables from policyholders, other insurance companies and recoverable amounts from reinsurance companies, representing 9.35% of Group's total assets;
- the Group faces a risk of non-recoverability of these receivables due to financial difficulties of the counter parties;
- estimation of the recoverable amount and determining the level of impairment allowance involves judgement and estimation uncertainty; and
- the Group makes subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment.

How the matter was addressed in our audit

Our audit procedures, amongst others, included:

- testing the design and operating effectiveness of the key controls over the process of collection and identification of doubtful balances;
- focusing on those accounts with the most significant potential impact on the consolidated financial statements, results of reconciliation of statement of accounts and receipts subsequent to the year-end; and
- evaluating the adequacy of the Group's disclosures related to credit risk on insurance receivables and impairment allowance in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

OTHER INFORMATION

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report to the shareholders (continued)

RESPONSIBILITIES OF BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditors' report to the shareholders (continued)

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER REGULATORY REQUIREMENTS

1. As required by the Commercial Companies Law, we report that:
 - a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
 - b) the financial information contained in the Board of directors' report is consistent with the consolidated financial statements;
 - c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association, that would have had a material adverse effect on the business of the Company or on its financial position; and
 - d) satisfactory explanations and information have been provided to us by management in response to all our requests.
2. As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
 - a) a corporate governance officer; and
 - b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jaffar AlQubaiti.



KPMG Fakhro

Partner Registration Number 83

23 February 2022

Consolidated statement of financial position

As at 31 December 2021

(In thousands of Bahraini Dinars)

	Note	2021	2020
ASSETS			
Cash and cash equivalents	6	4,962	5,991
Placements with banks	6	21,919	12,962
Insurance receivables	7	7,896	7,914
Other assets	7	1,991	1,965
Reinsurers' share of insurance technical reserves	10	17,551	19,399
Deferred acquisition cost	27	979	814
Financial investments	8	37,743	35,967
Equity accounted investees	9	19,825	18,885
Investment properties	12	2,397	2,564
Intangible assets	13	348	271
Property and equipment	14	3,539	3,825
Statutory deposits	15	131	129
Total assets		119,281	110,686
LIABILITIES			
Insurance technical reserves	16	38,670	37,508
Insurance payables	20	8,821	6,608
Other provisions and liabilities	21	5,940	6,101
Total liabilities		53,431	50,217
Net assets		65,850	60,469
EQUITY			
Share capital	23b	11,918	11,918
Treasury shares	23c	(1,868)	(1,868)
Share premium	23g	3,990	3,990
Statutory reserve	24a	5,959	5,959
General reserve	24b	13,585	13,585
Fair value reserve	24c	6,721	5,596
Retained earnings		21,912	18,071
Equity attributable to shareholders of the Parent company		62,217	57,251
Non-controlling interest	11	3,633	3,218
Total equity		65,850	60,469

The consolidated financial statements were approved by the Board of Directors on 23 February 2022 and signed on its behalf by:

Farooq Yusuf Almoayyed
Chairman

Abdulhussain Khalil Dewani
Vice Chairman

Sameer AlWazzan
Group Chief Executive

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

For the year ended 31 December 2021

(In thousands of Bahraini Dinars)

	Note	2021	2020
Gross insurance premiums	26	39,864	36,700
Reinsurers' share of gross insurance premiums		(21,346)	(19,917)
Retained premiums		18,518	16,783
Net change in reserve for unearned premiums	18	(540)	(237)
Net premiums earned		17,978	16,546
Gross claims paid		(20,409)	(23,570)
Claims recoveries		12,110	12,830
Outstanding claims adjustment – gross	17d	259	758
Outstanding claims adjustment – reinsurance	17d	(2,193)	432
Net claims incurred		(10,233)	(9,550)
Gross underwriting profit		7,745	6,996
Actuarial adjustment on life assurance obligation	19	-	260
Net commission and fee income	27	511	569
Impairment losses on insurance receivables	7	(423)	(535)
General and administration expenses – underwriting	30a	(4,238)	(4,033)
Other underwriting income		544	347
Net underwriting profit		4,139	3,604
Net investment income	28	3,337	2,606
Impairment losses on investment	29	(326)	(220)
Share of profit of equity accounted investees	9	1,485	1,022
Net income from road assist services		257	301
General and administration expenses - non-underwriting	30b	(2,401)	(2,219)
Other income		188	120
Profit for the year		6,679	5,214
Profit attributable to:			
Parent company		6,388	4,937
Non-controlling interest	11	291	277
		6,679	5,214
Basic and diluted earnings per share (per 100 fils)	23d, e	56.7 fils	43.8 fils

Farooq Yusuf Almoayyed
Chairman

Abdulhussain Khalil Dewani
Vice Chairman

Sameer AlWazzan
Group Chief Executive

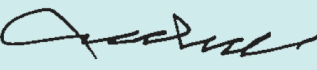
The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

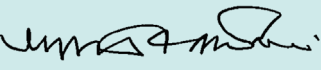
Consolidated statement of comprehensive income


For the year ended 31 December 2021

(In thousands of Bahraini Dinars)

	Note	2021	2020
Profit for the year		6,679	5,214
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Available-for-sale securities:			
- Change in fair value		2,389	1,854
- Transfer to statement of profit or loss on impairment of securities		190	220
- Transfer to statement of profit or loss on disposal of securities	28	(1,344)	(900)
Share of other comprehensive income of equity accounted investees		14	(67)
Other comprehensive income		1,249	1,107
Total comprehensive income		7,928	6,321
Total comprehensive income attributable to:			
Parent company		7,513	5,918
Non-controlling interest	11	415	403
		7,928	6,321


Farooq Yusuf Almoayyed
Chairman


Abdulhussain Khalil Dewani
Vice Chairman


Sameer AlWazzan
Group Chief Executive

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

(In thousands of Bahraini Dinars)

2021	Attributable to the shareholders of the Parent company								Non-controlling Interest	Total Equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total		
Balance at 1 January	11,918	(1,868)	3,990	5,959	13,585	5,596	18,071	57,251	3,218	60,469
Profit for the year	-	-	-	-	-	-	6,388	6,388	291	6,679
Other comprehensive income	-	-	-	-	-	1,125	-	1,125	124	1,249
Total comprehensive income	-	-	-	-	-	1,125	6,388	7,513	415	7,928
Dividends declared for 2020	-	-	-	-	-	-	(2,477)	(2,477)	-	(2,477)
Donations declared for 2020	-	-	-	-	-	-	(70)	(70)	-	(70)
Appropriations approved by shareholders	-	-	-	-	-	-	(2,547)	(2,547)	-	(2,547)
Balance at 31 December	11,918	(1,868)	3,990	5,959	13,585	6,721	21,912	62,217	3,633	65,850

2020	Attributable to the shareholders of the Parent company								Non-controlling Interest	Total Equity
	Treasury shares	Share premium	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total			
Balance at 1 January	11,918	(1,868)	3,990	5,959	13,585	4,615	15,641	53,840	2,815	56,655
Profit for the year	-	-	-	-	-	-	4,937	4,937	277	5,214
Other comprehensive income	-	-	-	-	-	981	-	981	126	1,107
Total comprehensive income	-	-	-	-	-	981	4,937	5,918	403	6,321
Dividends declared for 2019	-	-	-	-	-	-	(2,477)	(2,477)	-	(2,477)
Donations declared for 2019	-	-	-	-	-	-	(30)	(30)	-	(30)
Appropriations approved by shareholders	-	-	-	-	-	-	(2,507)	(2,507)	-	(2,507)
Balance at 31 December	11,918	(1,868)	3,990	5,959	13,585	5,596	18,071	57,251	3,218	60,469

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

(In thousands of Bahraini Dinars)

	Note	2021	2020
OPERATING ACTIVITIES			
Insurance operations			
Premiums and service fees received, net of acquisition costs		40,714	36,941
Payments to insurance and reinsurance companies		(18,126)	(20,492)
Claims paid to policyholders		(21,284)	(22,868)
Claims recovered from reinsurers and insurance companies		11,725	13,891
Donations paid		(43)	(96)
Cash flows from insurance operations		12,986	7,376
Investment operations			
Dividends and interest received		1,686	1,641
Proceeds from sale and redemptions of financial investments		12,687	16,615
Payments for purchases of financial investments		(11,591)	(18,247)
Bank deposits with maturities of more than three months		(22,050)	(13,090)
Redemption proceeds from bank deposits		13,090	14,892
Dividends received from equity accounted investees		651	590
Payment for investment in equity accounted investee		(15)	-
Advance for investment in equity accounted investee		-	(77)
Loans paid		(75)	(60)
Payment for investment properties		(2)	(2)
Rent received		311	359
Cash flows (used in) / from investment operations		(5,308)	2,621
Expenses paid		(5,911)	(5,305)
Cash flows from operating activities		1,767	4,692
INVESTMENT ACTIVITIES			
Purchase of equipment and intangible assets		(162)	(154)
Cash flows used in investment activities		(162)	(154)
FINANCING ACTIVITIES			
Dividends paid to shareholders		(2,553)	(2,706)
Payments of lease liabilities		(81)	(95)
Cash flows used in financing activities		(2,634)	(2,801)
Net change in cash and cash equivalents		(1,029)	1,737
Cash and cash equivalents at 1 January		5,991	4,254
Cash and cash equivalents at 31 December	6	4,962	5,991

The accompanying notes 1 to 40 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2021

(In thousands of Bahraini Dinars)

1. REPORTING ENTITY

Bahrain National Holding B.S.C (the “Company”) is domiciled in Kingdom of Bahrain. The Company’s registered office at 9th floor, BNH Tower, Seef Business District, Manama, Kingdom of Bahrain, P.O. Box 843.

These consolidated financial statements as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in insurance and investment activities.

2. BASIS OF ACCOUNTING AND MEASUREMENT

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with Commercial Companies Law.

The consolidated financial statements have been drawn up from the accounting records of the Company and its subsidiaries under the historical cost convention, except for investment securities carried at fair value through profit or loss and available-for-sale securities, which are stated at fair value.

These consolidated financial statements were authorized for issue by the board of directors on 23 February 2022.

a. Functional and presentation currency

These consolidated financial statements are presented in Bahraini Dinar, which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

b. Use of judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or

complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 (b).

c. New amendments and interpretations effective from 1 January 2021

Following amendments and interpretations, which became effective as of 1 January 2021, are relevant to the Group:

COVID-19 Related Rent Concessions (Amendment to IFRS 16)

In response to the COVID-19 coronavirus pandemic, the Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.

The practical expedient will only apply if:

- (i) The revised consideration is substantially the same or less than the original consideration;
- (ii) The reduction in lease payments relates to payments due on or before 30 June 2021; and
- (iii) no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- (iv) that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- (v) The amount recognized in profit or loss for the reporting period arising from application of the practical expedient.

2 BASIS OF ACCOUNTING AND MEASUREMENT (continued)

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted.

In 2020, the Group adopted the practical expedient to all eligible rent concessions and recognized BD 6 thousand as other income arising from the application of the practical expedient.

d. New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments, and interpretations to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted for annual periods beginning on 1 January 2021. The following standards are expected to have an impact on the Group's consolidated financial statements in the period of initial application:

i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022, with early application permitted, to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. Adoption of this amendment is not expected to have significant impact on the consolidated financial statements of the Group.

ii) Annual Improvements to IFRS Standards 2018-2020

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020. The following are the key amendments in brief:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent, then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by reducing undue costs and avoiding the need to maintain parallel sets of accounting records.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

Adoption of this amendments are not expected to have significant impact on the consolidated financial statements of the Group.

iii) Reference to the Conceptual Framework (Amendments to IFRS 3)

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

Adoption of this amendment is not expected to have significant impact on the consolidated financial statements of the Group.

2 BASIS OF ACCOUNTING AND MEASUREMENT (continued)**iv) IFRS 17 Insurance Contracts**

IFRS 17 “Insurance Contracts” was issued in May 2017 to replace the existing IFRS 4, “Insurance Contracts”. IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue the insurance contracts, as well as to certain guarantees and financial instruments with discretionary participation features, with scope exceptions will apply.

The standard applies to annual periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group intends to adopt the new standard on its mandatory effective date, alongside the adoption of IFRS 9.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A simplified approach (the premium allocation approach) mainly for short-duration contracts
- A specific adaptation for contracts with direct participation features (the variable fee approach)

IFRS 17 requires liabilities for insurance contracts to be recognized as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognized directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with

further divisions for contracts that are managed separately.

Profit for insurance contracts under IFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit. The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) such as the Group’s with-profits products, the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

IFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be different from existing premium revenue measures, currently reported in the income statement. In order to transition to IFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined. The CSM to be calculated as if the standard had applied retrospectively. However, if this is not practical an entity is required to choose either a simplified retrospective approach or to determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders’ equity and on the amount of profits on in-force business in future reporting periods.

The optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

2 BASIS OF ACCOUNTING AND MEASUREMENT (continued)

IFRS 17 is expected to have a significant impact as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques.

The effect of changes required to the Group's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of IFRS profit recognition.

The Group has an implementation program underway to implement IFRS 17 and IFRS 9. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Group remains on track to start providing IFRS 17 consolidated financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023. Refer to note below for summary of progress and impact.

v) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, however, certain exemptions have been provided for certain qualifying insurers to delay the application of IFRS 9 to the date of adoption of IFRS 17 as per amendments to IFRS 4 published in 2016 and extended in 2020, 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' to address the temporary consequences of the different effective dates of IFRS 9 and IFRS 17.

These amendments include an optional temporary exemption from applying IFRS 9 and the associated amendments until IFRS 17 comes into effect. This temporary exemption is available to companies whose predominant activity is to issue insurance contracts based on meeting the eligibility criteria as at 31 December 2015 as set out in the amendments.

The summarized impact of IFRS 9 application on the Group's insurance and non-insurance is as follows:

a) IFRS 9 impact on insurance activities:

The Group has performed an assessment of the exemption requirements and determined that its activities are predominantly connected with insurance, and hence it has opted to apply the temporary exemption available under IFRS 4 and will therefore apply this standard for the periods beginning 1 January 2023.

b) IFRS 9 impact on non-insurance equity accounted investees:

The Group has certain non-insurance equity accounted investees which do not qualify for delay in the application of IFRS 9 and have adopted IFRS 9 from 1 January 2018. Although the Group opted to apply the temporary exemption available under IFRS 4 as determined above, it has retained the application of IFRS 9 on its non-insurance equity accounted investees as per IFRS 4.

The effect of initially applying this standard is mainly attributed to an increase in impairment losses recognized on financial assets.

The Group recognized the cumulative effect of initially applying IFRS 9 on its non-insurance equity accounted investees as an adjustment to the opening retained earnings balance at 1 January 2018.

IFRS 9 - Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

IFRS 9 - Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments at FVOCI, but not equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group has an implementation program underway to implement IFRS 17 and IFRS 9. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Group remains on track to start providing IFRS 17 and IFRS 9 consolidated financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023. Following is a summary of the Group progress and potential impact:

Area	Summary of Impact
Governance and control framework	<p>The Group has put in place a comprehensive IFRS 17 governance framework which includes establishing a steering committee to provide oversight, monitor the progress of implementation, approve design phase decisions and assign roles and responsibilities to various stakeholders.</p> <p>The Group has provided intensive training sessions were conducted to all key staff across the Group, apart from an IFRS overview presentation made to the Board.</p> <p>The Group has completed technical policy papers documenting the policy decisions that required to be made under the IFRS 17 standard. Various decisions in process and under review drafted which cover the below (amongst other items):</p> <ul style="list-style-type: none">• Allocating directly attributable expenses• Onerous contract identification and measurement• Risk adjustment
IT Systems and data process	<p>The Group has appointed a vendor for the IFRS 17 solutions and system changes to capture IFRS 17 requirements. In particular, cashflow model's development, contractual service margin calculation and amortization. Additional data to determine the assumptions will be required in cashflows models and estimate of insurance contracts cashflows at issuance date.</p> <p>Amendments to the current chart of accounts and reporting disclosures.</p> <p>Cost allocation processes will need refinement to ensure directly attributable costs are identified according to the requirements of IFRS 17 and are then used as part of cash flow projections.</p> <p>The consolidated financial statement close process will also require changes to allow for more frequent interaction between the finance and actuarial teams.</p>
Impact on Reinsurance arrangements	<p>IFRS 17 is not expected to significantly impact the structure of the reinsurance arrangements currently in place by the Group. However, it is expected that further insight into the expected (and subsequently actual) performance of reinsurance treaties will be derived under IFRS 17.</p>
Financial Impact	<p>Based on the initial assessment, the majority of Group's products (which provide cover for annual periods or less) will be qualified to be measured using the simplified approach (premium allocation approach) which requires less changes to the existing approach under IFRS 4. As a result, as per our initial assessment, the financial impact of measuring contracts under IFRS 17 is not expected to be significant. However, on overall, the Company's net assets as presented under IFRS 4 expected to decrease due to IFRS 17 and IFRS 9 risk, discounting, onerous contracts, and other expected credit adjustments.</p>

2 BASIS OF ACCOUNTING AND MEASUREMENT (continued)**vii) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Adoption of this amendment is not expected to have significant impact on the consolidated financial statements of the Group.

vii) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Adoption of this amendment is not expected to have significant impact on the consolidated financial statements of the Group.

3. BASIS OF CONSOLIDATION**a. Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

b. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

c. Non-controlling interest (NCI)

Non-controlling interest represents their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

3 BASIS OF CONSOLIDATION (continued)**d. Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at measured at fair value when control is lost.

e. Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

f. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

4. CHANGE IN ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS**a. Significant Accounting Policies****i) Insurance and investment contracts**

The Group issues contracts that transfer insurance risk or financial risk or both. The Group classifies all its contracts individually as either insurance contracts or investment contracts. Contracts which contain both insurance components and investment components, and where the investment component can be measured independently from the insurance component, are "unbundled" i.e. separately classified and accounted for as insurance contracts and investment contracts.

Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

Investment contracts have been accounted for and recognized in accordance with IAS 39 – Financial Instruments: Recognition and Measurement and Insurance Contracts has been accounted for and recognized in accordance with IFRS 4 – Insurance Contracts.

ii) General insurance business**Gross insurance premiums**

Gross insurance premiums in respect of annual policies are credited at policy inception. In respect of policies with a term of more than one year, the premiums are spread over the tenure of the policies on a straight-line basis, the unexpired portion of such premiums being included under "insurance technical reserves" in the consolidated statement of financial position.

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)*Reinsurers' share of gross insurance premiums*

Reinsurance ceded, in respect of proportional reinsurance transactions, is matched with the premiums received. Non-proportional reinsurance cost is accounted for when incurred.

Unearned premiums

Unearned premiums are estimated amounts of premiums under insurance contracts which are to be earned in the following or subsequent financial periods, for the unexpired period of insurance as at the reporting date. Unearned premiums have been calculated on gross premiums as follows:

- by the 24th method for all annual insurance contracts, except for marine cargo business; and
- by the 6th method for marine cargo business, in order to spread the contributions earned over the tenure of the insurance contracts.

Gross claims paid

Claims paid in the year are charged to the profit or loss net of salvage and other recoveries. At the reporting date, provision is made for all outstanding claims including claims incurred but not reported (IBNR).

Claims recoveries

Claim recoveries include amounts recovered from reinsurers in respect of the gross claims paid by the Group, in accordance with the reinsurance contracts held by the Group.

Outstanding claims

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims IBNR at the reporting date.

Provision for outstanding claims are based on estimates of the loss, which will eventually be payable on each unpaid claim, established by management in the light of current available information and past experience and modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate.

The IBNR provision is based on statistical information related to actual past experience of claims incurred but not reported. The IBNR provision also includes a further amount, subject to annual review by management, to meet certain contingencies such as:

- unexpected and unfavorable court judgments which may require a higher payout than originally estimated; and
- settlement of claims, which may take longer than expected, resulting in actual payouts being higher than estimated.

General insurance provisions are not discounted for time value of money, due to the expected short duration to settlement.

Commission income

Commission income represents commissions received from reinsurers under the terms of ceding. Commission income is matched with premiums earned resulting in an element of unearned commission being carried forward at the reporting date.

Deferred commission and acquisition costs

Commission expense and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods are deferred to the extent that they are recoverable out of the future revenue margins. Deferred acquisition costs (DAC) are capitalized and amortized on a straight line basis over the life of the contract. All other acquisition costs are recognized as an expense when incurred.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Salvage recoveries and subrogation claims are recognized when right to receive is established.

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)*General and administration expenses*

General and administration expenses include direct operating expenses. All expenses are charged to the consolidated statement of profit or loss in the year in which they are incurred.

iii) Life assurance business

The life assurance operations underwrites two categories of policies:

- Term life assurance including group term assurance which are of short duration, normally for periods of 12 months; and
- Participating (with profits) policies whereby the assured is entitled to a share of the profits from a pool of investments, such share being distributed at the discretion of Bahrain National Life Assurance Company after taking into account annual actuarial assessment and returns of contract.

Gross insurance premiums

Gross insurance premiums from life assurance business are recognized when due, except for single premiums received on certain long-term policies; such single premiums are spread over the tenures of the policies on a straight-line basis. Single premiums are those relating to policies issued by the Group where there is a contractual obligation for the payment of only one premium.

Reinsurers' share of gross insurance premiums

Reinsurance, in respect of proportional reinsurance transactions, is matched with the premiums received. Non-proportional reinsurance cost is accounted for when incurred.

Life assurance actuarial reserve

The life assurance actuarial reserve represents the present value of the future benefit obligations in respect of policies in force at the reporting date. The life assurance actuarial reserve is credited with the net investment income arising out of the investments made by the Group on behalf of the life assurance policyholders. At the reporting date, the net value of the life assurance actuarial reserve is adjusted to a minimum of the actuarially

estimated current value of future benefit obligations under the Group's policies in force at the reporting date. The shortfall, if any, is charged to the statement of profit or loss.

Surpluses, if any, are released to the consolidated statement of profit or loss. The surplus represents amounts arising out of participating contracts, the allocation of which has not been determined at the reporting date and future allocations of which are at the discretion of the Bahrain National Life Assurance Company.

Gross claims paid

Claims arising on maturity are recognized when the claim becomes due for payment under the policy terms. Death claims and surrenders under participating contracts are accounted for on the date of notification. Annuity payments are recorded when due.

Claims recoveries

Claim recoveries include amounts recovered from reinsurers in respect of the gross claims paid by the Group, in accordance with the reinsurance contracts held by the Group.

Outstanding claims

Provision for outstanding claims is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by the management in the light of currently available information and past experience and modified for changes reflected in current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Outstanding claim provisions are not discounted for time value of money.

Acquisition costs

Acquisition costs include commission, brokerage and other variable insurance costs directly associated when acquiring business. These costs are amortised over the period of the insurance contract. Acquisition costs that relate to periods of risk that extend beyond the end of financial year are reported as deferred acquisition costs.

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)*Fee and commission income*

Fee and commission income from insurance and investment contract policyholders are charged for policy administration and investment management services. The fee is recognized as revenue in the period in which it is received unless it relates to services to be provided in future periods where these are deferred and recognised in the consolidated statement of profit or loss as the service is provided over the term of the contract.

Bonuses

Bonuses to policyholders on profit-linked insurance contracts are recognised when declared by the Bahrain National Life Assurance Company.

iv) Liability adequacy test

At each reporting date, liability adequacy tests are performed by independent Actuary to ensure the adequacy of the insurance liabilities, net of related deferred acquisition costs using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used.

Any deficiency is immediately charged to the statement of profit or loss by establishing a provision for losses arising from liability adequacy tests.

v) Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets.

These assets consists of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers

share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is an objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of profit or loss. An objective evidence for impairment is assessed as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not be able to receive all the amounts due under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

vi) Financial assets and financial liabilities*Classification*

Investments carried at fair value through profit or loss are financial assets that are held for trading.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Available-for-sale investments are financial assets that are not investments carried at fair value through profit or loss or held-to-maturity or loans and receivables. These include investments in quoted and unquoted equity securities.

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are stated at amortised cost, adjusted for changes in fair value under any effective hedging arrangement, less provision for impairment.

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)*Recognition and de-recognition*

Investment securities are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments carried at fair value through profit or loss is initially recognised at fair value, and transaction cost are expensed in the profit or loss. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given, including transaction costs. Subsequent to initial recognition, investments at fair value through profit or loss and available-for-sale investments are re-measured to fair value. Held-to-maturity investments and loans and advances are measured at amortised cost less any impairment allowances. Available-for-sale investments which do not have a quoted market price or other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of investments carried at fair value through profit or loss are recognised in the consolidated statement of profit or loss in the period in which they arise. Gains and losses arising from a change in the fair value of available-for-sale investments are recognised in a separate fair value reserve in other comprehensive income and when the investments are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the fair value reserve is transferred to the income statement. Gains or losses arising from re-measurement, at amortised cost, of held-to-maturity securities at each reporting date are transferred to investment income.

Fair value basis

In respect of quoted equities and bonds, the fair value is the closing market price of the security at the reporting date. In the absence of active markets or other appropriate methods from which to derive reliable fair values, the unquoted securities are stated at cost, less impairment allowance. In respect of private equity funds, the fair value is provided by the fund manager. The fair value of closed-ended managed funds, which are traded on securities exchanges, is the closing market price of the fund at the reporting date.

Gains or losses on disposal of investments

Gains or losses on disposal of investments are included under investment income. In the event of disposal, collection or impairment of available-for-sale securities, the cumulative gains and losses recognised in other comprehensive income are transferred to the consolidated statement of profit or loss.

vii) Receivables

Receivables are initially measured at invoiced amount, being the fair value of the policyholder, insurance companies and reinsurance companies receivables and subsequently carried at amortised cost less provision for impairment. A provision for impairment of receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

viii)Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances and short-term highly liquid assets (placements with financial institutions) with maturities of three months or less, when acquired.

ix) Intangible assets

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is calculated to write off cost of intangible assets less their estimated residual values using straight line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful life of software for the current and comparative periods is five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

x) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Properties include certain properties that the Group’s spilt them between investment properties and properties for the Group’s own use. The Group’s partial use is reported under property and equipment.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits embodied in the item of property and equipment. All

other expenditure is recognised in the consolidated statement of profit or loss as an expense when incurred.

Depreciation

Depreciation is calculated to write off cost of equipment less their estimated residual values using straight line method over their estimated useful lives and is generally recognised in profit or loss.

The useful lives of different categories of property and equipment are as follows:

Categories	Useful live in years
Building	25 years
Machinery	10 years
Furniture, fixtures and telephone systems	5 years
Computer and office equipment	4 years
Motor vehicles	4 years
Office improvements	3 years

Depreciation is charged to profit or loss. When an item of property and equipment is sold, transferred or otherwise permanently withdrawn from use, the cost and accumulated depreciation relating thereto are eliminated from the consolidated statement of financial position, the resulting gain or loss being recognised in the consolidated statement of profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)**xi) Investment properties**

Investment properties, which are held to earn rentals or for capital appreciation, are measured at cost, including transaction costs, less accumulated depreciation and accumulated impairment, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated profit or loss.

xii) Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, (including IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews

estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

xiii) Impairment of assets

The Group assesses at each reporting date whether there is an objective evidence that an asset is impaired. Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

Financial assets carried at amortised cost

For financial assets carried at amortised cost (receivables and held-to-maturity bonds), impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in statement of profit or loss and reflected in an allowance account.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of profit or loss.

Impairment of available-for-sale investments

The Group assesses at each reporting date whether there is an objective evidence that a financial asset is impaired. A significant or prolonged decline in the market value of the security below its cost is considered in

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

determining whether the assets are impaired. If any such evidence exists for available-for-sale securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on AFS equity instruments are subsequently reversed through the statement of comprehensive income.

Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through consolidated statement of profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment losses were recognized in the consolidated statement of profit or loss.

For available-for-sale investments carried at cost, the Group makes an assessment of whether there is an objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognised if the estimated recoverable amount is assessed to be below the cost of the investment.

Non-financial assets

The carrying amount of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated or impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets of cash generating units (CGU's). The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets or CGU.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

xiv) Employees' benefits***Bahraini employees***

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation, which is a "defined contribution scheme" in nature under IAS 19 'Employee Benefits', and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

Expatriate employees

Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 2012 (as amended), based on length of service and final remuneration. Provision for this unfunded commitment, , which is a "defined benefit scheme" in nature under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

Employee savings scheme

The Group has a voluntary employees saving scheme. The Group and the employee contribute monthly on a fixed percentage of salaries basis to the scheme.

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)**xv) Share Capital**

Equity shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognized as a deduction from equity.

xvi) Dividends

Dividends to shareholders are recognised as a liability in the period in which they are declared.

xvii) Directors' remunerations

Directors' remunerations are charged to the consolidated statement of profit or loss in the year in which they are incurred.

xviii) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors and Group's Investment and Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors and Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

xix) Foreign currency translation*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items classified as available-for-sale financial assets are included in fair value reserve.

Other group companies

The other group companies functional currencies are denominated in Bahraini Dinar, and hence, there is no translation of financial statements of the Group's companies.

b. Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are reviewed on ongoing basis evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

(i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. The ultimate cost of settling claims is estimated using a range of loss

5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

reserving methods. These techniques assume that the Group's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The assumptions used, including loss ratios and future claims inflation are implicitly derived from the historical claims development data on which the projections are based, although judgment is applied to assess the extent to which past trends might not apply in the future trends are expected to emerge.

Also, the estimation for claims IBNR using statistical models include an estimation made to meet certain contingencies such as unexpected and unfavorable court judgments which may require a higher payout than originally estimated and settlement of claims, which may take longer than expected, resulting in actual payouts being higher than estimated.

(ii) Life assurance actuarial reserve estimation

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

For long-term life insurance contracts, liabilities are currently measured by using the 'Net Premium' valuation method. The liability is determined as the discounted value of the expected future benefits, policyholder options and guarantees, less the discounted value of the expected net premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

The liability for life insurance contracts, mainly yearly renewable and group life contracts, comprises the provision for unearned premiums calculated on the basis of 1/365 reserving method, as well as for claims outstanding, which may include an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the consolidated statement of profit or loss. Profits originated from margins of adverse deviations on run-off contracts are recognised in the consolidated statement of profit or loss over the life of the contract, whereas losses are fully recognised in the consolidated statement of profit or loss during the first year of run-off. The liability is recognised when the contract expires, is discharged or is cancelled. The

assumptions are reviewed on yearly basis and include assumptions for incidence rates like mortality and morbidity, expenses and discount rates. Incidence assumptions are based on standard industry mortality rate tables adjusted in order to reflect the historical experience of the country and company in particular. These tables estimates the number of deaths in order to determine the value of the benefit payments and the value of the valuation premiums.

The interest rate applied when discounting cash flows is based on prudent expectation of current market returns, expectations about future economic and financial developments as well as the analysis of investment income arising from the assets backing long term insurance contracts. For the long term plans an assumption of 4.5% is currently used.

(iii) Impairment losses for available-for-sale securities and receivables

The Group determines that available-for-sale equity securities and managed funds are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgement. In the case of quoted equity securities in active markets, the Group considers a decline in value below cost of 30%, or if the average cost of the investment is higher than the 52-week high traded price as on the date of assessment. In the case where markets for the investment are assessed to be inactive, the Group determines impairment based on its assessment of the investee companies' financial health, industry and sector performance.

Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgement, the Group evaluates among other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment losses on held-to-maturity securities carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted

at the assets’ original effective interest rate. Losses are recognised in the consolidated statement of profit or loss and reflected in an allowance against the investment.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of profit or loss.

Impairment losses on receivables are established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Losses are recognised in the consolidated statement of profit or loss and reflected in an allowance against the receivables.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of profit or loss.

(iv) Classification of investments

In the process of applying the Group’s accounting policies, management decides on acquisition of an investment whether it should be classified as investments designated at fair value through profit or loss, held-to-maturity or available-for-sale investment securities. The classification of each investment reflects the management’s intention in relation to each investment and is subject to different accounting treatments based on such classification.

(v) Classification of Arabian Shield Cooperative Insurance Company (ASCIC) as an associate

The Group classified the Arabian Shield Cooperative Insurance Company as an associate of the Group although the Group only owns a 15% ownership interest in ASCIC. An associate is an entity over which the investor has significant influence. The Group exercises significant influence over ASCIC, as it has a representation on the board of directors and participates in policy-making processes, including participation in decisions about dividends or other distributions and in advise on technical matters via representation on the Executive and Investment Committee of ASCIC. The Group’s extent of ownership is also significant relative to other shareholders. Refer to note 9 for details and related subsequent events.

6. CASH AND BALANCES WITH BANKS

	2021	2020
Cash and bank current accounts	4,962	5,991
Cash and cash equivalents	4,962	5,991
Placements with banks with maturities of more than three months	21,919	12,962
Total cash and balances with banks	26,881	18,953

Information about the Group’s exposure to interest rate and credit risks are included in note 32.

7. INSURANCE AND OTHER ASSETS

	2021	2020
Insurance receivables		
Policyholders	6,292	6,252
Provision for impairment of receivables from policyholders	(1,780)	(1,709)
Insurance and reinsurance companies	4,812	4,641
Provision for impairment of receivables from insurance and reinsurance companies	(1,428)	(1,270)
	7,896	7,914
Other assets		
Accrued income	1,051	1,039
Rent receivables	183	193
Provision for impairment of rent receivables	(181)	(139)
VAT recoverable	39	217
Recoverable deposits	205	187
Prepayments and advances	98	108
Others	739	360
Provision for impairment on other assets	(143)	-
	1,991	1,965
	9,887	9,879

Movement in provision for impairment during the year is as follow:

	2021	2020
Opening balance	3,118	2,563
Charged on insurance receivables, net	280	535
Charged on other assets, net	143	-
Charged on rent receivables, net	42	20
Write off of receivables from policyholders	(51)	-
	3,532	3,118

Information about the Group's exposure to credit and market risks, and impairment losses for receivables is included in note 32.

8. FINANCIAL INVESTMENTS

	2021	2020
Securities carried at fair value through profit or loss	1,977	2,285
Available-for-sale securities	31,993	29,552
Held-to-maturity securities	3,773	4,130
	37,743	35,967

a. Securities carried at fair value through profit or loss

	2021	2020
Listed securities:		
- Equity securities	213	280
- Government debt securities	261	221
- Corporate debt securities	418	893
- Managed funds	952	847
Unlisted funds	133	44
	1,977	2,285

Movement during the year:

Opening balance	2,285	1,769
Purchases	314	882
Sales	(721)	(505)
Fair value movement	99	139
	1,977	2,285

b. Available-for-sale securities

	2021	2020
Listed securities:		
- Equity securities	14,904	11,326
- Government debt securities	2,993	2,558
- Corporate debt securities	4,269	7,969
- Managed funds	6,817	5,635
Unlisted securities and funds	3,010	2,064
	31,993	29,552

Movement during the year:

Opening balance	29,552	27,380
Purchases	11,060	15,333
Disposals	(9,718)	(14,335)
Fair value movement	1,235	1,174
	32,129	29,552
Impairment losses	(136)	-
	31,993	29,552

8 FINANCIAL INVESTMENTS (continued)**c. Held-to-maturity securities**

	2021 Fair value	2020 Fair value	2021 Carrying value	2020 Carrying value
Government debt securities	1,934	2,175	1,888	2,192
Corporate debt securities	2,001	2,244	1,885	1,938
	3,935	4,419	3,773	4,130
Movement during the year:				
Opening balance			4,130	2,999
Purchases			226	2,013
Matured securities			(599)	(910)
Exchange gains			16	28
			3,773	4,130

d. Policyholders' investments

The Group identified specific investments as policyholders' investments. These investments represent the funding of the life assurance actuarial reserve. The Group has adopted this step as a measure of protection for policyholders. Surpluses, if any, of these investments over the life assurance actuarial reserve may be dealt with at the discretion of the Group. The carrying value of the policyholders' financial assets (including financial assets of the staff retirement scheme) at the reporting date, included under financial assets are as follows:

	2021	2020
Cash equivalents	44	208
Placements with banks	1,014	624
Financial investments	2,617	2,972
	3,675	3,804
Actuarial estimate of the present value of future benefit obligations at 31 December (note 19)		
	3,346	3,159

Information about the Group's exposure to credit and market risk, maturity profile, geographical concentration and fair value measurement, is included in notes 32, 33, 34, and 36, respectively.

9. EQUITY ACCOUNTED INVESTEEES**a. Interests in associates**

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of the entity	Location of business / country	Percentage of ownership interest		Nature of relationship	Principal activities
		2021	2020		
National Finance House BSC (c)	Kingdom of Bahrain	34.93%	34.93%	Associate	Engaged in consumer and auto finance business
Al Kindi Specialised Hospital W.L.L.	Kingdom of Bahrain	27%	27%	Associate	Engaged in providing private medical services
United Insurance Company BSC (c)	Kingdom of Bahrain	20%	20%	Associate	Primarily provides insurance coverage for motor vehicles
Arabian Shield Cooperative Insurance Company	Kingdom of Saudi Arabia	15%	15%	Associate	Transact various types of general insurance business
Health 360 Ancillary Services W.L.L.	Kingdom of Bahrain	20%	26.2%	Associate	Processing insurance claims as a third party administrator
Al Bayrooni Dialysis B.S.C. (c)	Kingdom of Bahrain	24%	-	Associate	Provider of dialysis and related services

9 EQUITY ACCOUNTED INVESTEEES (continued)**b. The movement in the investment in associates is as follows:**

	National Finance House	Al Kind Specialised Hospital	United Insurance Company	Arabian Shield Cooperative Insurance Company*	Health 360 Ancillary Services	Al Bayrooni Dialysis	Total
2021							
Opening balance	5,365	1,873	2,761	8,711	175	-	18,885
Investments	-	-	-	-	15	77	92
Share of profit	438	93	439	490	25	-	1,485
Dividends received	(157)	(45)	(425)	-	(24)	-	(651)
Share of other comprehensive income	-	-	(28)	42	-	-	14
	5,646	1,921	2,747	9,243	191	77	19,825
2020							
Opening balance	5,235	1,783	2,985	8,378	139	-	18,520
Share of profit	130	62	378	406	46	-	1,022
Dividends received	-	(30)	(550)	-	(10)	-	(590)
Share of other comprehensive income	-	58	(52)	(73)	-	-	(67)
	5,365	1,873	2,761	8,711	175		18,885

* The market value of Group's investments in Arabian Shield Cooperative Insurance Company (ASCIC) based on the price quoted in Saudi Stock Exchange (Tadawul) as at 31 December 2021 was BD 15,217 thousand (31 December 2020: BD 10,915 thousand).

Subsequent to year ended 31 December 2021 and on 12 January 2022, ASCIC announced the effectiveness of the resolution to merge AlAhli Takaful Company (ATC). This effectively results in the transfer of assets and liabilities of ATC to ASCIC and the distribution and listing of new shares issued to ATC shareholders. This was followed by an announcement by ASCIC on 16 January 2022 on the listing of the consideration shares and the completion of the Merger. Following the completion of the Merger Transaction formalities, the Group's shareholding in ASCIC has been diluted from 15% as of 31 December 2021 to 9.4% effective 12 January 2022 (Merger Transaction effective date).

Based on changes in the Group's shareholding, the Investment in ASCIC has been reassessed for existence of "significant influence" and due to the Merger Transaction, the Investment in ASCIC will be reclassified as Available-for-Sale carried at fair value, effective 12 January 2022.

In accordance with the Group's accounting policies, the difference between carrying value as of 31 December 2021 and the fair value of BD 14,965 thousand as of 12 January 2022 will be reported through the consolidated statement of profit or loss for the three-month period ending 31 March 2022.

9 EQUITY ACCOUNTED INVESTEEES (continued)**c. Latest available financial information of the material associates of the Group are as follows:**

2021	National Finance House	United Insurance Company	ASCIC
Total assets	51,612	23,906	116,247
Total liabilities	35,451	10,173	66,818
Net assets	16,161	13,733	49,429
Group's share of net assets	5,646	2,747	7,415
Goodwill	-	-	1,828
Carrying amount of interest in associate	5,646	2,747	9,243
Revenue	3,678	4,347	53,652
Profit	1,255	2,195	3,176
Other comprehensive income	-	(144)	371
Total comprehensive income	1,255	2,051	3,547
Group's share in total comprehensive income	438	411	532

2020	National Finance House	United Insurance Company	ASCIC
Total assets	57,154	23,593	120,909
Total liabilities	41,796	9,787	75,028
Net assets	15,358	13,806	45,881
Group's share of net assets	5,365	2,761	6,883
Goodwill	-	-	1,828
Carrying amount of interest in associate	5,365	2,761	8,711
Revenue	3,502	2,917	57,350
Profit	370	1,889	2,715
Other comprehensive income	-	(259)	(488)
Total comprehensive income	370	1,630	2,227
Group's share in total comprehensive income	130	326	333

d. Reporting dates of financial information of associates

For equity accounting and for disclosing financial information of the Arabian Shield Cooperative Insurance Company, the information taken from the unaudited interim financial information for the nine months ended 30 September 2021 and 2020. For the other associates, the information is taken from the financial information for the year ended 31 December 2021 and 2020.

10. REINSURERS' SHARES OF INSURANCE TECHNICAL RESERVES

	2021	2020
Outstanding claims recoverable from reinsurers (note 17)	8,644	10,461
Reinsurers' share of unearned premiums (note 18)	9,283	8,938
Provision for impairment of outstanding claims recoverable	(376)	-
	17,551	19,399

Amounts due from reinsurers in respect of claims paid by the Group on the contracts that are reinsured are included in insurance receivables (note 7).

Movement in provision for impairment during the year is as follows:

	2021	2020
At 1 January	-	-
Charge	376	-
	376	-

11. INVESTMENT IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 31 December. Unless otherwise stated, they have share capital consisting solely of ordinary shares, that are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business:

Name of the entity	Place of business / country of incorporation	Date of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interest		Principal activities
			2021	2020	2021	2020	
Bahrain National Insurance BSC (c)	Bahrain	30 Dec 1998	100%	100%	-	-	Transact various types of general insurance business.
Bahrain National Life Assurance BSC (c)	Bahrain	4 Oct 2000	75%	75%	25%	25%	Transact the business of life assurance, medical insurance, retirement planning and savings.
iAssist Middle East WLL	Bahrain	14 Jan 2010	100%	100%	-	-	Transact the business of automobile smash repairs, roadside assistance and automobile services.

11 INVESTMENT IN SUBSIDIARIES (continued)**SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS**

The table below shows details of non-wholly owned subsidiary of the Group that have material NCI, before any intra-group elimination:

Bahrain National Life Assurance BSC (c)	2021	2020
Cash and cash equivalents	1,377	1,795
Placements with banks	4,021	1,813
Insurance and other receivables	2,658	1,368
Reinsurers' share of insurance technical reserves	3,025	2,300
Deferred acquisition costs	190	176
Other assets	509	527
Financial investments	14,402	14,298
Intangible assets	42	26
Equipment	159	181
Statutory deposits	52	51
Insurance technical reserves	(9,630)	(7,940)
Insurance payables	(1,644)	(910)
Other liabilities	(707)	(869)
Net assets (100%)	14,454	12,816
Net assets attributable to NCI	3,633	3,218
Net premium earned	6,095	4,268
Net claims incurred	(4,512)	(2,972)
Impairment reversal / (losses) on receivables	(15)	10
General and administration expenses – underwriting	(1,069)	(991)
Net commission expenses	(135)	(100)
Actuarial adjustment on life assurance obligation	-	260
Other income	2	61
Net investment income	1,012	797
Impairment losses on investment	(60)	(115)
General and administration expenses - non-underwriting	(155)	(111)
Net profit	1,163	1,107
Other comprehensive income	495	505
Total comprehensive income	1,685	1,612
NCI's share of profit (25%)	291	277
NCI's share of total comprehensive income (25%)	415	403
Cash flows from operating activities	228	802
Cash flows (used in) / from investing activities	(608)	261
Cash flows used in financing activities, before dividends to NCI	(20)	(20)
Donations paid	(18)	(23)
Net change in cash and cash equivalents	(418)	1,020

12. INVESTMENT PROPERTIES

2021	BNH Tower in Seef	BNH Building in Sanad	Total
Cost			
At 1 January	2,922	1,927	4,849
Additions	-	2	2
At 31 December	2,922	1,929	4,851
Accumulated depreciation			
At 1 January	1,664	621	2,285
Depreciation	92	77	169
At 31 December	1,756	698	2,454
Net book value at 31 December	1,166	1,231	2,397
Fair value at 31 December	2,552	2,534	5,086

2020	BNH Tower in Seef	BNH Building in Sanad	Total
Cost			
At 1 January	2,922	1,925	4,847
Additions	-	2	2
At 31 December	2,922	1,927	4,849
Accumulated depreciation			
At 1 January	1,572	544	2,116
Depreciation	92	77	169
At 31 December	1,664	621	2,285
Net book value at 31 December	1,258	1,306	2,564
Fair value at 31 December	2,486	2,865	5,351

The fair value was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuation has been prepared on the basis of Market as defined by the RICS Valuation Professional Standards (July 2017). The Income Capitalisation approach was applied in considering the Market Value of the properties.

13. INTANGIBLE ASSETS

2021	Goodwill	Software	Development cost	Total
Cost				
At 1 January	74	1,777	139	1,990
Additions	-	62	60	122
Disposals	-	(75)	-	(75)
Transfers	-	134	(134)	-
At 31 December	74	1,898	65	2,037
Accumulated amortization				
At 1 January	-	1,719	-	1,719
Amortisation	-	45	-	45
Disposals	-	(75)	-	(75)
At 31 December	-	1,689	-	1,689
Net book value at 31 December	74	209	65	348

2020	Goodwill	Software	Development cost	Total
Cost				
At 1 January	74	1,769	104	1,947
Additions	-	8	35	43
At 31 December	74	1,777	139	1,990
Accumulated amortization				
At 1 January	-	1,681	-	1,681
Amortisation	-	38	-	38
At 31 December	-	1,719	-	1,719
Net book value at 31 December	74	58	139	271

15. STATUTORY DEPOSITS

Statutory deposits are maintained by subsidiaries under the regulations of the Central Bank of Bahrain. Such deposits, which depend on the nature of the insurance business, cannot be withdrawn except with the approval of the Central Bank of Bahrain.

Statutory deposits consist of the following:

	2021	2020
Deposit	129	125
Interest for the year	2	4
	131	129

14. PROPERTY AND EQUIPMENT

2021	Right-of-use assets	Lands and buildings	Machinery	Furniture & equipment	Capital work-in-progress	Total
Cost						
At 1 January	659	4,865	775	1,850	-	8,149
Additions	-	-	-	24	-	24
Disposals	-	-	-	(49)	-	(49)
At 31 December	659	4,865	775	1,825	-	8,124
Accumulated depreciation						
At 1 January	131	1,851	737	1,605	-	4,324
Depreciation	66	128	9	107	-	310
Disposals	-	-	-	(49)	-	(49)
At 31 December	197	1,979	746	1,663	-	4,585
Net book value at 31 December	462	2,886	29	162	-	3,539

2020	Right-of-use assets	Lands and buildings	Machinery	Furniture & equipment	Capital work-in-progress	Total
Cost						
At 1 January	641	4,865	755	1,787	8	8,056
Additions	25	-	12	89	-	126
Disposals	(7)	-	-	(26)	-	(33)
Transfers	-	-	8	-	(8)	-
At 31 December	659	4,865	775	1,850	-	8,149
Accumulated depreciation						
At 1 January	71	1,731	729	1,501	-	4,032
Depreciation	67	120	8	130	-	325
Disposals	(7)	-	-	(26)	-	(33)
At 31 December	131	1,851	737	1,605	-	4,324
Net book value at 31 December	528	3,014	38	245	-	3,825

16. INSURANCE TECHNICAL RESERVES

	2021	2020
Outstanding claims - gross (note 17)	16,959	17,218
Unearned gross insurance premiums (note 18)	17,066	16,181
Unearned commissions income (note 27)	978	686
Life assurance actuarial reserve (note 19)	3,667	3,423
	38,670	37,508

17. OUTSTANDING CLAIMS

a. Claims development

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends, for motor and non-motor excluding life and medical businesses.

Total estimation of the ultimate claim cost comprises estimated amount of claims outstanding and claims IBNR.

The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position, with the exception of life assurance and medical business.

i) Gross insurance claims for general insurance business

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:											
At end of reporting year	3,883	7,275	5,550	8,850	4,772	4,798	6,577	8,114	7,590	5,667	63,076
One year later	4,632	7,512	7,510	8,928	5,833	5,813	6,512	9,357	7,459		63,556
Two year later	5,140	6,059	7,957	9,433	5,934	5,788	7,806	7,745			55,862
Three year later	4,970	5,972	7,901	9,629	5,729	7,240	8,308				49,749
Four year later	4,948	5,818	7,979	9,589	6,349	7,372					42,055
Five year later	4,789	5,897	8,058	5,869	6,329						30,942
Six year later	4,869	5,926	9,642	5,926							26,363
Seven year later	5,055	8,088	9,668								22,811
Eight year later	5,937	6,077									12,014
Nine year later	4,993										4,993
Current estimate of cumulative claims (A)	4,993	6,077	9,668	5,926	6,329	7,372	8,308	7,745	7,459	5,667	69,544
Cumulative payments to date (B)	4,868	5,809	9,472	5,688	6,177	7,269	6,454	5,930	4,231		55,898
Total (A – B)	125	268	196	238	152	103	1,854	1,815	3,228	5,667	13,646
Reserve in respect of years prior to 2012											466
Total gross reserve included in the statement of financial position											14,112

Gross outstanding claims for life and medical insurance business amounted to BD 2,847 thousand.

ii) Net insurance claims for general insurance business

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims costs:											
At end of reporting year	1,949	3,409	2,281	2,083	2,201	2,888	4,477	5,791	3,519	4,181	32,779
One year later	2,259	3,356	2,874	2,794	3,122	3,360	3,452	3,725	3,058		28,000
Two year later	2,263	3,279	3,260	3,142	3,442	2,215	3,642	4,492			25,735
Three year later	2,179	3,153	3,320	3,364	2,872	4,241	4,394				23,523
Four year later	2,117	3,132	3,403	2,993	2,596	2,656					16,897
Five year later	2,104	3,178	3,286	2,887	2,867						14,322
Six year later	2,193	3,138	3,121	3,111							11,563
Seven year later	2,240	3,341	3,333								8,914
Eight year later	3,150	3,153									6,303
Nine year later	2,292										2,292
Current estimate of cumulative claims (A)	2,292	3,153	3,333	3,111	2,867	2,656	4,394	4,492	3,058	4,181	33,537
Cumulative payments to date (B)	2,263	3,120	3,309	3,095	2,863	2,573	3,915	2,986	1,929		26,053
Total (A – B)	29	33	24	16	4	83	479	1,506	1,129	4,181	7,484
Net reserve in respect of years prior to 2012											62
Total net reserve included in the statement of financial position											7,546

Net outstanding claims for life and medical insurance business amounted to BD 1,145 thousand.

17 OUTSTANDING CLAIMS (continued)**b. Changes in insurance assets and liabilities – general insurance**

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reported claims	14,696	10,461	4,235	15,531	10,029	5,502
IBNR	2,522	-	2,522	2,445	-	2,445
Total at 1 Jan	17,218	10,461	6,757	17,976	10,029	7,947
Changes	20,150	9,917	10,233	22,812	13,262	9,550
Settled	(20,409)	(12,110)	(8,299)	(23,570)	(12,830)	(10,740)
Balance at 31 December	16,959	8,268	8,691	17,218	10,461	6,757
Reported claims	14,521	8,268	6,253	14,696	10,461	4,235
IBNR	2,438	-	2,438	2,522	-	2,522
Balance as at 31 December	16,959	8,268	8,691	17,218	10,461	6,757

c. Sensitivity analysis

The following tables provide an analysis of the sensitivity of profit or loss and total equity to changes in the assumptions used to measure life and non-life insurance contract provisions and reinsurance assets at the reporting date. The analysis has been prepared for a change in variable with other assumptions remaining constant.

	Profit or loss & Equity	
	2021	2020
Non-Life Insurance		
Expense rate		
1 percent increase	(41)	(39)
1 percent decrease	41	39
Expected loss ratio		
1 percent increase	(91)	(89)
1 percent decrease	91	89
Life Assurance	2021	2020
Demographic assumptions		
1 percent increase in base mortality rate	(10)	(5)
1 percent decrease in base mortality rate	10	5
Expense assumptions		
1 percent increase	(3)	(3)
1 percent decrease	3	3
Expected loss ratio		
1 percent increase	(12)	(7)
1 percent decrease	12	7

The Group has certain single insurance contract which it considers as risks of high severity but very low frequency. The Group re-insures substantial part of these risks and its loss on any one single event is limited to a loss of BD 125 thousand in case of property and marine and BD 75 thousand in case of causality whereas in case of motor losses Group's exposure to a single event is limited to BD 100 thousand.

d. Movements in outstanding claims:

	Gross outstanding claims		Reinsurers' share		Net outstanding claims	
	2021	2020	2021	2020	2021	2020
At 1 January	17,218	17,976	10,461	10,029	6,757	7,947
Net movement during the year	(259)	(758)	(2,193)	432	1,934	(1,190)
At 31 December	16,959	17,218	8,268	10,461	8,691	6,757

18. NET CHANGE IN RESERVES FOR UNEARNED INSURANCE PREMIUMS

	Unearned gross insurance premiums		Reinsurers' share		Net unearned premiums	
	2021	2020	2021	2020	2021	2020
At 1 January	16,181	13,749	8,938	6,743	7,243	7,006
Net movement during the year	885	2,432	345	2,195	540	237
At 31 December	17,066	16,181	9,283	8,938	7,783	7,243

19. LIFE ASSURANCE ACTUARIAL RESERVE AND ACTUARIAL ASSUMPTIONS

	2021	2020
Life assurance actuarial reserve		
Balance at 1 January	3,423	3,520
Contributions received	185	186
Benefits paid	(122)	(269)
Actuarial adjustment on life assurance obligation	-	(260)
Management fee	(27)	(26)
Policyholder's share of net investment income	208	272
Balance at 31 December	3,667	3,423
Life assurance actuarial reserve per consolidated statement of financial position	3,667	3,423
Actuarial estimate of the present value of future benefit obligations at 31 December	3,346	3,159

The actuarial estimate has been prepared by independent actuaries, Actuscope Consulting Actuaries, Lebanon. The mortality rate assumptions used was 45% (2020: 45%) of the 75-80 Ultimate Mortality US Table and the valuation interest rate was set at 4.5% p.a. (2020: 4.5% p.a.). Allowances have been made for reinsurance, guaranteed bonuses, renewal expenses unexpired risks and contingencies where appropriate.

20. INSURANCE PAYABLES

	2021	2020
Policyholders – Claims	622	1,628
Insurance and reinsurance companies	8,199	4,980
Balance at 31 December	8,821	6,608

Information about the Group's exposure to credit and market risks for insurance payables are included in note 32.

21. OTHER PROVISIONS AND LIABILITIES

	2021	2020
Vehicle repairers and spare parts	1,022	886
Premiums received in advance	688	778
Lease liabilities	510	556
VAT payables	248	338
Medical claims care fund	213	275
Provision for employees' benefits	916	644
Employees' leaving indemnities	473	502
Cash collateral	324	324
Hit and run levy fee	109	113
Other	1,437	1,685
Balance at 31 December	5,940	6,101

Lease liabilities

The Group leases office spaces for its own use. These leases have a period of at least 2 years, with an option to extend the lease at the end of the lease term. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

See note 14 for the information about the Group's right-of-use assets.

(ii) Lease liabilities

See note 32 for a maturity analysis of lease liabilities as at 31 December 2021 and 2020, and note 38 for the movements in lease liabilities for the years then ended.

(iii) Amounts recognised in profit or loss

	2021	2020
Interest on lease liabilities	35	39
Expenses relating to short-term leases	18	19
Expenses relating to leases of low-value assets	10	9
	63	67

(iv) Amounts recognised in the statement of cash flows

	2021	2020
Total cash outflow for leases	81	95

22. RETIREMENT BENEFITS COST

As at 31 December 2021, the Group employed 159 Bahrainis (2020: 161 Bahrainis) and 47 expatriates (2020: 48 expatriates).

Bahraini employees are covered by the pension scheme of Social Insurance Organisation of the Government of Bahrain. Employees and the Group contribute monthly to this scheme on a fixed-percentage-of-salaries basis. The Group's contributions in respect of Bahraini employees for 2021 amounted to BD 259 thousand (2020: BD 248 thousand), which cover other benefits besides pension entitlements.

The Group also offers, on a voluntary basis, to its Bahraini employees, a defined contribution plan, which is determined by the annual contributions paid by the Group and the employees to a post-employment benefit plan, together with investment returns arising from the contributions. The Group's contributions in 2020 amounted to BD 92 thousand (2020: BD 91 thousand). The scheme is administered by Bahrain National Life Assurance Company on behalf of the Group.

The liability towards the retirement plan as at 31 December 2021 amounted to BD 819 thousand (2020: BD 765 thousand) and is included in the Life assurance actuarial reserve (note 19). The liability is funded by way of contributions from the retirement scheme. The contributions received are invested as part of policyholders' investments (note 8d).

Expatriate employees on limited-term contracts are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector 2012 (as amended), based on length of service and final remuneration. The liability, which is unfunded, is provided for on the basis of the notional cost had all employees left service at the reporting date.

MOVEMENT IN EMPLOYEES' LEAVING INDEMNITIES:

	2021	2020
Balance at 1 January	502	454
Payments	(38)	(1)
Charge during the year	9	49
Balance at 31 December	473	502

23. SHARE CAPITAL

	Number 2021	Amount 2021	Number 2020	Amount 2020
a) Authorised shares 100 fils each	200,000,000	20,000	200,000,000	20,000
b) Issued and fully paid	119,175,000	11,918	119,175,000	11,918

c) Treasury shares:

The Company's Articles of Association permit the Company to hold up to 10 % (or such other limit as may be prescribed under law) of its own issued shares as treasury shares.

	Number 2021	Amount 2021	Number 2020	Amount 2020
Balance at 1 January	6,566,756	1,868	6,566,756	1,868
Balance at 31 December	6,566,756	1,868	6,566,756	1,868

d) Performance per 100 fils share (excluding treasury shares)

	2021	2020
Basic and diluted earnings per share – fils	56.7	43.8
Proposed cash dividend – fils	30.0	22.0
Book value per share – fils	552.5	508.4
Stock exchange price at 31 December – fils	420.0	350.0
Market capitalization at 31 December – in thousands of BD	50,054	41,711
Price/Earnings ratio at 31 December	7.5	8.0

e) Earnings per share

The calculation of earnings per share is based on the net profit attributable to the shareholders for the year of BD 6,388 thousand (2020: BD 4,937 thousand), attributable to 112,608,244 ordinary shares (2020: BD 112,608,244 ordinary shares) for basic earnings, being the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share have not been presented separately because Group has no dilutive potential ordinary shares in issue.

f) Major shareholders

Names and nationalities of the major shareholders and the number of shares held in which they have an interest of 5% or more outstanding shares:

	Nationality	No. of shares	Shareholding (%)
National Insurance Company	Iraqi	7,808,734	6.55
Abdulhameed Zainal Mohamed Zainal	Bahraini	7,625,839	6.40
Bahrain National Holding Co. (Treasury shares)	Bahraini	6,566,756	5.51

g) Share premium

During the 2005 financial year, the Company issued 20,000,000 shares at 300 fils (share premium 200 fils) per share.

h) Additional information on shareholding pattern

- The Company has only one class of equity shares and the holders of the shares have equal voting rights.
- Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	Number of shareholders	Number of shares	% of total outstanding shares
Less than 1 %	607	44,545,805	37.38
1 % up to less than 5 %	23	52,627,866	44.16
5 % up to less than 10 %	3	22,001,329	18.46
TOTAL	633	119,175,000	100.00

* Expressed as % of total issues and fully paid shares of the Company.

24.RESERVES

a. Statutory reserve

Commercial Companies Law, which applies to the parent company, requires appropriation of 10% of the net profit each year, until the reserve equals 50% of the paid-up capital. Commercial Companies Law, which applies to Bahrain National Insurance, Bahrain National Life Assurance Company and iAssist, requires appropriation of 10% of the net profit each year, until the reserve equals 50% of the paid-up capital. These limits are applied separately to each company within the Group.

b. General reserves

General reserves are appropriated from retained earnings and are available for distribution.

c. Fair value reserve

Gains or losses arising on re-measurement of available-for-sale securities are recognised in the fair value reserve. Upon de-recognition or impairment of any security, the corresponding gain or loss, recognised earlier directly in the investment fair value reserve, is transferred to the consolidated statement of profit or loss.

25.PROPOSED APPROPRIATIONS AND DIRECTORS REMUNERATION

	2021	2020
Profit as per consolidated statement of profit or loss	6,679	5,214
Net profit attributable to non-controlling interest	(291)	(277)
Profit attributable to shareholders of Parent company	6,388	4,937
Proposed appropriations:		
Dividend to shareholders	3,378	2,477
Retained earnings	3,010	2,460
	6,388	4,937

Proposed directors' remuneration is BD 227 thousand (2020: BD 182 thousand). The appropriation of the 2021 profit is subject to approval by shareholders at the Annual General Meeting.

The Company has only one class of equity shares and the holders of these shares have equal voting rights.

26.GROSS INSURANCE PREMIUMS

	2021	2020
Direct Business	36,854	35,285
Inward Business	3,010	1,415
	39,864	36,700

27. NET COMMISSION AND FEE INCOME

	2021	2020
Commission and fee income	2,574	2,059
Commission expenses	(1,936)	(1,599)
Adjustment for unearned commission income	(292)	27
Adjustment for deferred commission expense	165	82
	511	569

Movements in unearned commission income and deferred commission expense:

	Unearned commission income		Deferred commission expense	
	2021	2020	2021	2020
At 1 January	686	713	814	732
Net movement during the year	292	(27)	165	82
	978	686	979	814

28.NET INVESTMENT INCOME

	2021	2020
Interest income	1,178	1,207
Transfer from other comprehensive income on disposal of available-for-sale securities	1,344	900
Dividend income	726	556
Valuation gains on trading securities	99	139
Net gains on disposal of financial investments	213	59
Foreign exchange gains / (losses)	18	(14)
Accretion of discount on held-to-maturity securities	15	29
Investment administration expenses	(67)	(70)
Policyholders' share of investment income	(208)	(272)
Investment properties' income	314	329
Depreciation charges on investment properties	(169)	(169)
Other investment properties' expenses	(126)	(88)
	3,337	2,606

29.IMPAIRMENT ON INVESTMENT

	2021	2020
Opening balance	821	601
Impairment losses for the year	326	220
Transfer to profit or loss on disposal of securities	(103)	-
	1,044	821

30.EXPENSES

a) General and administration expenses - underwriting	2021	2020
Employee costs	2,342	2,290
Depreciation and amortisation	260	272
Other costs	1,636	1,471
	4,238	4,033

b) General and administration expenses - non-underwriting	2021	2020
Employee costs	1,710	1,515
Depreciation and amortisation	131	133
Other costs	560	571
	2,401	2,219

31. SEGMENTAL INFORMATION

For operational and management reporting purposes, the Group is organised into five business segments:

- Motor Insurance segment;
- Property & General segment;
- Medical Insurance segment;
- Life Assurance segment; and
- Corporate segment.

Motor Insurance segment comprises motor comprehensive insurance covers and third-party insurance covers and other services related to motor.

Property and Casualty Insurance segment comprises property, general accidents, engineering, marine and aviation. Medical Insurance segment comprises medical insurance products.

Life Assurance segment comprises group life, group credit life, decrease in term assurance, level term assurance and saving scheme plans.

Corporate segment comprises administrative and financial operations services for the Group's companies.

These segments are the basis on which the Group reports its primary segment information.

31 SEGMENTAL INFORMATION

2021	Motor	Property & General	Medical	Life Assurance	Corporate	Consolidation adjustments	Total
Gross insurance premiums	10,886	16,114	8,805	4,271	-	(212)	39,864
Net premiums earned	10,843	1,178	4,893	1,202	-	(138)	17,978
Net claims incurred	(5,350)	(448)	(3,319)	(1,194)	-	78	(10,233)
Impairment on insurance receivables	(240)	(168)	(14)	(1)	-	-	(423)
General and administration expenses – underwriting	(2,360)	(983)	(737)	(332)	-	174	(4,238)
Net commission (expense) / income	(236)	882	(138)	3	-	-	511
Other income	-	542	-	2	-	-	544
Net underwriting results	2,657	1,003	685	(320)	-	114	4,139
Net investment income	1,238	1,238	233	780	387	(539)	3,337
Impairment losses on investment	(133)	(133)	(14)	(46)	-	-	(326)
Share of profit of equity accounted investees	-	-	-	-	1,046	439	1,485
Net income from road assist services	257	-	-	-	-	-	257
Corporate Services fees	-	-	-	-	681	(681)	-
General and administration expenses - non-underwriting	(352)	(174)	(93)	(62)	(2,401)	681	(2,401)
Other income	-	-	-	-	188	-	188
Segment results	3,667	1,934	811	352	(99)	14	6,679

2020	Motor	Property & General	Medical	Life Assurance	Corporate	Consolidation adjustments	Total
Gross insurance premiums	11,256	15,258	6,909	3,492	-	(215)	36,700
Net premiums earned	11,258	1,139	3,323	945	-	(119)	16,546
Net claims incurred	(6,288)	(361)	(2,267)	(705)	-	71	(9,550)
Actuarial adjustment on life assurance obligation	-	-	-	260	-	-	260
Impairment (losses)/reversal on insurance receivables	(334)	(208)	5	2	-	-	(535)
General and administration expenses – underwriting	(2,290)	(926)	(644)	(344)	-	171	(4,033)
Net commission (expense) / income	(265)	934	(95)	(5)	-	-	569
Other income	195	90	32	30	-	-	347
Net underwriting results	2,276	668	354	183	-	123	3,604
Net investment income	977	977	183	613	520	(664)	2,606
Impairment losses on investment	(53)	(53)	(26)	(88)	-	-	(220)
Share of profit of equity accounted investees	-	-	-	-	644	378	1,022
Net income from road assist services	301	-	-	-	-	-	301
Corporate Services fees	-	-	-	-	597	(597)	-
Other income	6	-	-	-	114	-	120
General and administration expenses - non-underwriting	(335)	(151)	(68)	(43)	(2,219)	597	(2,219)
Segment results	3,172	1,441	443	665	(344)	(163)	5,214

Assets and liabilities are not reported on segment basis as these are managed on an aggregate basis.

Cash flows relating to segments are not disclosed separately as these are managed on an aggregate basis.

GEOGRAPHICAL INFORMATION

2021	Bahrain	GCC	Other Countries	Total
Gross insurance premiums	38,608	1,256	-	39,864
Non-current assets	30,020	17,227	12,985	60,232

2020	Bahrain	GCC	Other Countries	Total
Gross insurance premiums	33,793	2,907	-	36,700
Non-current assets	29,096	14,396	14,168	57,660

In presenting the geographic information, segment revenue is based on the location of the customers and segment assets were based on the geographic location of the assets.

Non-current assets for this purpose consist of financial investments which are intended to be held for more than one year, equity accounted invitees, investment properties, property and equipment and statutory deposits.

32. INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Department reporting to a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies, update the Group's and individual subsidiaries' risk registers and ensuring that there are risk mitigation controls in place. The committee reports regularly to the Group's Audit, Compliance and Risk Committee on its activities.

The Group's risk management department has established a framework to identify, quantify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in internal practices, technological developments and market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit, Compliance and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit, Compliance and Risk Committee is assisted in its oversight role by Internal Audit.

b. Insurance Risk Management

The activity of the Group is to issue contracts of insurance to its personal and corporate clients. The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount payable under the insurance contract resulting from such occurrence referred to as the claim. By the very nature of an insurance contract, this risk is fortuitous, random and therefore unpredictable. The principal risks that the Group faces in writing a portfolio of insurance contracts are the frequency of occurrence of the insured events and the severity of resulting claims. The Group's risk profile is improved by having sufficient large numbers, diversification by nature of risk and geographical spread of these risks. This reduces the vulnerability of the Group's financial position and profits to large losses or a high frequency as

there will be a larger income to sustain such impacts. The exposure of high frequency and severe large losses are also protected by a comprehensive reinsurance program placed with highly reputable international reinsurers.

i) Underwriting Policy

The Group principally issues insurance contracts covering marine (cargo and hull), motor (own damage and third-party liability), property (material damage and business interruption), liability and general accident. These policies usually cover twelve months duration. For the above general insurance contracts, the most significant risks arise from accidents including motor or other incidents causing fire and accidental damage, negligence resulting in accidents or liabilities against third parties, natural disasters and other activities causing damage by riots, civil commotion and terrorist acts. The level of risks vary in relation to the location of the risk insured and type of risk insured and by industry.

The Group has also a subsidiary issuing life and medical contracts of insurance. The medical and group life insurance contracts are of an annual nature and therefore similar in treatment and exposures as to the insurance contracts above. There are however long-term life insurance contracts which require a different treatment as to the expected claims arising out of these contracts. For the latter the subsidiary reviews actuarial technical funds required to meet any of the future liabilities that can arise out of these contracts.

The subsidiary has in place detailed underwriting guidelines and retention policies and procedures which regulate the acceptance of these risks and limits who is authorized and accountable for concluding insurance and reinsurance contracts and at what terms and conditions. Compliance with these guidelines is regularly monitored and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines when required.

ii) Reinsurance Policy

As part of the underwriting process the next risk control measure in respect of the insurance risk is the transfer of the risks to third parties through a reinsurance contract or facility. The Group has in place proportional facilities, referred to as treaties, which are used to transfer

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INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(continued)

a proportion of the risks automatically subject to pre-agreed conditions with the reinsurers. The portion of the risk retained by the Group is also guided by a strict retention policy adopted by the Group. Any claim will be recovered in the same proportion. Furthermore, the Group also has in place non-proportional treaties which pay a proportion of losses above a pre-agreed priority level for each loss or an aggregation of losses arising out of one event. The placements of reinsurance contracts are diversified with a panel of internationally reputed reinsurers so that the Group is not dependent on a single reinsurer or a reinsurance contract. The Group also transfers risk on a case by case basis referred to as facultative reinsurance. This is used in cases when the risk under consideration is either too large for the treaty capacities or else has risks which are excluded from the treaties. In this case the Group seeks internationally rated reinsurers but also places some small shares in the local markets as exchange of business.

Reinsurance is used to manage insurance risk. Although the Group has reinsurance arrangements, it does not, however, discharge the Group’s liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Group minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

iii)

Terms and conditions of insurance contracts

An overview of the terms and conditions of various contracts written by the Group, the territories in which these contracts are written and the key factors upon which the timing and uncertainty of future cash flows of these contracts are depend are detailed in the following table:

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property and Engineering	This contract indemnifies the insured against material damage to the property of the insured being buildings, contents, machinery and equipment, caused by specified perils, or against all risks subject to specific exclusion and limitations. The insured can extend the policy as the loss can also affect the potential income of the insured and therefore covers loss of income based on this business interruption.	The risk on any policy varies according to many factors such as location, age, occupancy, weather conditions and safety measures in place. The events insured against are fortuitous, sudden and unforeseen. Claims have to be notified within a specified period and a surveyor and/or loss adjustor is appointed in most cases. The loss would be the cost to repair, reinstate or replace the assets damaged bringing the insured to the same position before the loss. In cases of business interruption losses, time for completion are key factors influencing the level of claims under these policies.
Casualty (General Accident and Liability)	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of public. And to indemnify the insured against legal liability as a result of an act or omission incurred against causing either bodily injury or third party property damage.	There are generally agreed benefits or amounts easily quantified for Casualty. In the case of liability claims these are very much dependent on factors beyond the control of the parties involved such as court proceedings and identification of medical conditions in the case of bodily injury. Estimating claims provisions for these claims involves uncertainties such as the reporting lag, the number of parties involved in the claim, whether the insured event is over multiple time periods and the potential amounts of the claim. The majority of bodily injury claims are decided based on the laws in force and court judgment and are settled within two – three years.
Marine Hull and Cargo	These are very standard contracts within the international spectrum and indemnify the insured against loss of cargo and in the case of hull against material damage to the hull or liability arising out of the use of the hull.	The nature of marine business especially cargo is cross border movement of goods and therefore tend to take longer to quantify or to establish the cause of loss. Underwriters use various loss adjustors to protect their interest. The main risk is the establishing the correct cause of loss. Most of these losses will initiate rights of recovery from third parties and even this presents some uncertainty as to quantum and time.
Motor	Motor insurance contracts provide cover in respect of policyholder's private cars and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. Exposure to third party bodily injury is unlimited in accordance with statutory requirements	In general, claims lags are minor and claim complexity is relatively low. The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in adverse weather conditions. The number of claims is also connected with the economic activity, which affects the amount of traffic activity. The majority of bodily injury claims are decided based on the laws in force and court judgment and are settled within two – three years.
Medical	These contracts pay benefits for medical treatment and hospital expenses. The policyholder is indemnified for only part of the cost of medical treatment or benefits are fixed.	Claims under these contracts depend on both the incidence of policyholders becoming ill and the duration over which they remain ill. Claims are generally notified promptly and can be settled without delay. Premium revisions are responded reasonably quickly to adverse claims experience.
Term life	These contracts indemnify the life of the policyholder over a defined period.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group life	These contracts are type of life insurance in which a single contract covers an entire group of people. Typically, the policyholder is an employer or an entity and the policy covers the employees or members of the group. These contracts indemnify the life of the policyholder over a defined period.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group Credit life	These contracts are type of life insurance designed to pay off a borrower's debt if the borrower dies. The face value of a credit life insurance policy decreases proportionately with the outstanding loan amount as the loan is paid off over time, until both reach zero value.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group retirement plans	These contracts pay benefits based on employer terms and conditions in case of the death, disability or retirement of the participants. The policyholder is indemnified based on fixed pre-determined benefits considering period of membership, accumulated contributions, administration or surrender fees and bonus return, when applicable.	Surrenders and benefits under these contracts depend on both the life or determined disability of participants. Surrenders and benefits are generally notified promptly and can be settled without delay from the participants portfolio. Contributions are received on timely basis.
Individual savings plans	These contracts are split into 3 categories: Future Security Plan (FSP), Child Education Plans and Endowment with profit Plans. These plans include protection benefits such as life insurance, waiver of premium and permanent disability cover. All the policyholders are given a guaranteed cash value schedule at policy issue date for the whole duration of their policy.	Surrenders and benefits under these contracts depend on both the life or determined disability of participants. Surrenders and benefits are generally notified promptly and can be settled without delay from the participants portfolio. Contributions are received on timely basis.

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**iv) Risk exposure and concentration of insurance risk**

The following table shows the Group's exposure to general and life insurance risk (based on the carrying value of insurance provisions at the reporting date) per category of business. The table also shows the geographical concentration of these risks and the extent to which the Group has covered these risks by reinsurance.

2021 Geographical area	General Insurance	Life Assurance	Total
Bahrain			
Gross insurance premiums	34,337	4,271	38,608
Retained premiums	17,371	945	18,316
Other countries			
Gross insurance premiums	1,256	-	1,256
Retained premiums	202	-	202
Total			
Gross insurance premiums	35,593	4,271	39,864
Retained premiums	17,573	945	18,518
2020 Geographical area	General Insurance	Life Assurance	Total
Bahrain			
Gross insurance premiums	30,301	3,492	33,793
Retained premiums	15,623	945	16,568
Other countries			
Gross insurance premiums	2,907	-	2,907
Retained premiums	215	-	215
Total			
Gross insurance premiums	33,208	3,492	36,700
Retained premiums	15,838	945	16,783

c. Capital Management

The Board's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests.

The Group's objectives for managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

All of the regulated companies in the Group are supervised by regulatory bodies that set out certain minimum capital requirements. It is the Group's policy to hold capital as an aggregate of the capital requirement of the relevant supervisory body and a specified margin, to absorb changes in both capital and capital requirements.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, or sell assets. There were no significant changes in the Group's approach to capital management during the year.

The Group has a system of allocating risk based capital to its high level business units and operations. This Economic Capital Model is used to create benchmarks for the management to gauge and guide their performance and also ensure a good foundation for decision making and added comfort to the Board.

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**d. Financial and operational risk management**

Insurance contracts expose the Group to underwriting risk, which comprises insurance risk, policyholder behaviour risk and expense risk. In addition, the Group is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial and operational risks are as follows:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Department reporting to a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies, update the Group's and individual subsidiaries' risk registers and ensuring that there are risk mitigation controls in place. The committee reports regularly to the Group's Audit, Compliance and Risk Committee on its activities.

The Group's risk management department has established a framework to identify, quantify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in internal practices, technological developments and market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit, Compliance and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit, Compliance and Risk Committee is assisted in its oversight role by Internal Audit.

i) Credit risk

Credit risk is the risk that one party will fail to discharge its obligations causing the other party to incur a financial loss. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- statutory deposits;
- cash and placements with banks and financial institutions; and
- financial investments - debt instruments.

The Group's cash is largely placed with national and international banks. Credit risk on receivables is limited to local policyholders, which are carried, net of provision for bad and doubtful receivables, and to insurance and reinsurance companies, local and foreign. To control the credit risk, the Group compiles company-wide data on receivables. The Group monitors its credit risk with respect to receivables from policyholders in accordance with defined policies and procedures. Credit risk in respect of dues from insurance and reinsurance companies is sought to be minimised by ceding business only to companies with good credit rating in the London, European and Middle Eastern markets. Credit risk in respect of financial investments (debt instruments) is managed by the Group by monitoring credit exposures and continually assessing the creditworthiness of counterparties.

Management of credit risk

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are set and monitored by the management.

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Group's exposure to individual policyholders and groups of policyholders is monitored by the individual business units as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Overall exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets	2021	2020
Receivables:		
- Policyholders	6,292	6,252
- Insurance and reinsurance companies	4,812	4,641
- Others	2,315	2,104
Financial investment securities:		
- Fair value through profit or loss - debt instruments	679	1,114
- Available-for-sale debt instruments	7,262	10,527
- Held to maturity securities	3,773	4,130
Cash equivalents with banks	4,956	5,985
Placements with banks	21,919	12,962
Statutory deposits	131	129
	52,139	47,844

The carrying amounts of financial assets do not include any assets that either are past due or impaired. The Group has no financial assets or reinsurance assets that would be past due or impaired whose terms have been renegotiated. The Group does not hold any collateral as security or any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

Concentrations of credit risk

The Group monitors concentrations of exposures by industry sector and geographic location of the counterparty as well as by individual counterparties. Counterparty concentration occurs mainly because of the investment management accounts maintained with the various investment bankers. Geographical concentrations at the reporting date have been presented in note 34.

The specific concentration of risk from the top counterparties where receivables for any one counterparty or group of connected counterparties is BD 1 million or more at the year-end is as follows:

	2021	2020
Debt instruments:		
Government of Bahrain	5,140	4,895
Bank balances and receivables:		
Kuwait Finance House	11,963	2,404
Arab Bank	3,653	2,849
Habib Bank Limited	3,062	2,573
National Bank of Bahrain	2,887	1,444
Salam Bank	2,106	2,261
Mashreq Bank	1,458	885
Ahli United Bank	734	4,829

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Assets that are past due*

The Group has insurance and other receivables that are past due but not impaired at the reporting date. The Group believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the Group and the net settlement position with the counterparty. An age analysis of the carrying amounts of these insurance and other receivables is presented as follows:

Financial assets 2021	Neither past due nor impaired	Past due but not impaired		Individually impaired		Total
	Less than 90 days	91– 180 days	More than 180 days	Gross Amount	Provision for impairment	
Receivables:						
- Policyholders	1,969	1,017	1,526	1,780	(1,780)	4,512
- Insurance and Reinsurance companies	2,078	987	319	1,428	(1,428)	3,384
- Others	1,592	-	399	324	(324)	1,991
	5,639	2,004	2,244	3,532	(3,532)	9,887

Financial assets 2020	Neither past due nor impaired	Past due but not impaired		Individually impaired		Total
	Less than 90 days	91– 180 days	More than 180 days	Gross Amount	Provision for impairment	
Receivables:						
- Policyholders	2,873	748	922	1,709	(1,709)	4,543
- Insurance and Reinsurance companies	1,832	402	1,137	1,270	(1,270)	3,371
- Others	1,958	7	-	139	(139)	1,965
	6,663	1,157	2,059	3,118	(3,118)	9,879

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations and commitments associated with its insurance contracts and financial liabilities in cash or other financial assets. Liquidity risk may arise from inability to sell a financial asset at a price close to its fair value.

Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any

future commitments. In the normal course of business, the Group does not normally resort to borrowings but, given its gearing, has the ability to raise funds from banks at short notice. The maturity profile of the Group's investments is set out in note 32.

Management of liquidity risk

The Group limits liquidity risks by continually reconciling the cash flows and assets of the Group with payment liabilities. Methodologies adopted for Group assets and liabilities valuation have been disclosed in significant accounting policies in note 4. The Group is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts.

The Board sets limits on the liquidity of investment in the portfolio apart from a minimum liquidity reserve that is updated every quarter by the risk management department based on rolling cash flows trends.

The Group's approach to managing its liquidity risk is as follows:

- Budgets are prepared, to forecast monthly inflows and cash outflows from insurance and investment contracts;
- Assets purchased by the Group are required to satisfy specified liquidity requirements and limits;
- The Group maintains adequate cash and liquid assets to meet daily calls on its insurance and investment contracts;
- The Group has a board approved Liquidity Contingency Plan, that will be activated in the event of a liquidity event; and
- The Group also maintain a minimum liquidity reserve that is updated every quarter based on cash flows trends.

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Exposure to liquidity risk*

An analysis of the contractual maturities of the Group's financial liabilities (including contractual undiscounted interest payments) is presented as follows:

2021 Financial liabilities	Undiscounted contractual cash flows				
	Carrying amount	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
Policyholders' liabilities	622	622			
Insurance/reinsurance companies	8,199	8,199			
Other payables	5,430	5,430			
Lease liability	510	77	77	231	359

2020 Financial liabilities	Undiscounted contractual cash flows				
	Carrying amount	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
Policyholders' liabilities	1,628	1,628	-	-	-
Insurance/reinsurance companies	4,980	4,980	-	-	-
Other payables	5,545	5,545	-	-	-
Lease liability	556	90	77	231	436

iii) Market risk

Market risk is the risk that the value of financial instrument will fluctuate as a result of changes in market prices on account of factors specific to the individual security or to its issuer or factors affecting the securities market. The Group is exposed to market risk with respect to its investments in securities. The Group manages market risk by maintaining a well-diversified portfolio and by continuous monitoring of pertinent developments in international securities markets. In addition, the Group actively monitors the key factors that are likely to affect the prices of securities, including operational and financial performance of investees. The geographical concentration of the Group's investments is set out in note 34.

Management of market risks

All entities in the Group manage market risks locally in accordance with their asset/liability management framework. The boards of each entity approve the allocation limits and investment strategy. At Group level, the Board monitors the asset allocation and investment performance on a quarterly basis.

For each of the major components of market risk, the Group has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Group at the reporting date to each major risk are addressed below.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market rates of interest.

The Group's short-term deposits are at fixed interest rates and mature within one year. Investments in Government bonds are at fixed interest rates. Investment in corporate bonds consists of both fixed and floating rate instruments.

The effective interest rate is the historical annual yield on fixed rate instruments carried at amortised cost and the current market yield for a floating rate instrument or a short-term deposit. The following table presents the effective rates of the financial instruments:

	2021 Aggregate principal	2021 Effective rate	2020 Aggregate principal	2020 Effective rate
Cash and deposits	27,012	2.40%	19,082	2.20%
Bonds and treasury bills	11,714	5.35%	15,771	4.94%

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Derivatives:*

The Group does not normally use derivative financial instruments, other than forward currency contracts from time to time, to hedge its currency exposures.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As protection against exchange rate fluctuations, the Group backs its insurance commitments to a very large extent by funds in the same currency.

The Group has deposits and investments in currencies other than Bahraini dinars and United States dollars. The Bahraini Dinar is effectively pegged to the United States dollar; thus, currency risk is expected to occur only in respect of other currencies.

The Group's exposure to currency risk, other than United States dollars and Bahraini Dinars, as well as the currency-wise concentration, expressed in the equivalent of Bahraini dinars is summarised as follows:

NET CURRENCY-WISE CONCENTRATION

Financial Assets	2021	2020
Euros	689	757
Pounds sterling	466	337
Other currencies	868	403
Total open foreign exchange position at 31 December	2,023	1,497
United States dollars	28,802	30,263
GCC Currencies	15,447	11,572
Bahraini dinars	48,195	40,481
	94,467	83,813
This comprises of:		
Financial investments	37,743	35,967
Equity accounted investees	19,825	18,885
Cash and cash equivalents	4,962	5,991
Placements with banks	21,919	12,962
Statutory deposits	131	129
Receivables:		
Policyholders	4,512	4,543
Insurance and reinsurance companies	3,384	3,371
Others	1,991	1,965
	94,467	83,813
Financial Liabilities		
Bahraini dinars	10,194	11,078
United States dollars	2,963	1,257
GCC Currencies	1,324	303
Euros	179	30
Pounds sterling	53	26
Other currencies	48	15
	14,761	12,709
This comprises of:		
Policyholders liabilities	622	1,628
Insurance/reinsurance companies payables	8,199	4,980
Other payables	5,940	6,101
	14,761	12,709

The assets and liabilities above were translated at exchange rates at the reporting date.

The nature of the Group's exposures to currency risk and its objectives, policies and processes for managing currency risk have not changed significantly from the prior period.

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Sensitivity analysis – currency risk*

A 1% weakening/strengthening of the Bahrain Dinars against the following currencies would have increased/ (decreased) equity and profit and loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

Financial assets and liabilities	2021		2020	
	Profit or loss	Equity	Profit or loss	Equity
US Dollars	74	258	95	290
GCC currencies	97	141	90	113
Euro	-	5	-	7
Pounds Sterling	-	4	-	3
Other currencies	1	8	2	4

Sensitivity analysis to market risks

The table below shows the results of sensitivity testing on the Group's statement of profit or loss and equity by type of business. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Group's financial assets and liabilities and its insurance assets and liabilities.

31 December	2021		2020	
	Profit or loss	Equity	Profit or loss	Equity
Interest rate risk				
+1 percent shift in yield curves	70	857	114	950
-1 percent shift in yield curves	(70)	(857)	(114)	(950)
Equity price risk				
+1 percent increases in equity prices	2	147	3	112
-1 percent decrease in equity prices	(2)	(147)	(3)	(112)

iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, liquidity and market risks, such as the risk of mis-selling products, modelling errors and non-compliance with legal and regulatory requirements and

generally accepted standards of corporate behaviour. Operational risks arise from all Group's operations.

The Group's objectives in managing operational risk is to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness and innovation. In all cases, Group's policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to the Group's Audit, Compliance and Risk Committee, which is responsible for the development and implementation of controls to address operational risk.

This responsibility is supported by management risk committee and the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost-effective.

In addition, the Group uses the following approaches in monitoring and mitigating the various aspects of operational risks:

32 INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*Impact on Solvency:*

The Group uses internal Economic Capital Model (“ECM”), which follow the Solvency II QIS5 approach for quantifying operational risk. The QIS5 is based on premium volumes as well as technical provisions.

The ECM is essentially a calibration to multiple stresses. Under this approach the value of assets and liabilities are shocked in response to changes in various risk factors. Then the operational risk impact on solvency is measured.

Risk Registers:

The Group identifies and analyses the root causes of various types of operational risks; recommend necessary mitigations and controls and records/documents such observations in its respective risk registers.

Others:

The Group has set the followings programs for mitigating and controlling operational risks:

- Business Continuity Program
- Fraud Control Framework
- Outsourcing Risk policy and procedures

33. MATURITY PROFILE OF INVESTMENTS

2021	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years / no maturity	Total
Equities	-	-	-	14,905	14,905
Government bonds	1,315	1,642	1,697	226	4,880
Corporate bonds	458	2,478	874	2,344	6,154
Managed funds	-	-	-	6,817	6,817
Unquoted equities & funds	-	-	-	3,010	3,010
Equity accounted investees	-	-	-	19,825	19,825
	1,773	4,120	2,571	47,127	55,591

This balance comprises of:

	2021
Available-for-sale securities	31,993
Held-to-maturity securities	3,773
Equity accounted investees	19,825
	55,591

2020	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years / no maturity	Total
Equities	-	-	-	11,326	11,326
Government bonds and treasury bills	860	2,133	1,532	225	4,750
Corporate bonds	837	5,068	1,359	2,643	9,907
Managed funds	-	-	-	5,635	5,635
Unquoted equities & funds	-	-	-	2,064	2,064
Equity accounted investees	-	-	-	18,885	18,885
	1,697	7,201	2,891	40,778	52,567

This balance comprises of:

	2020
Available-for-sale securities	29,552
Held-to-maturity securities	4,130
Equity accounted investees	18,885
	52,567

Managed funds not having a fixed maturity date are classified as maturing after ten years. Securities carried at fair value through profit or loss are readily realisable and intended to be held for short term purposes. These are not included in the above maturity profile of investments.

34. GEOGRAPHICAL CONCENTRATION OF INVESTMENTS

	2021	2020
Bahrain	25,503	23,622
Other GCC countries	17,481	15,455
North America	6,057	6,906
Europe	3,924	4,244
China and India	3,541	3,471
Other global/multi-regional	1,062	1,154
	57,568	54,852

This comprises of:

	2021	2020
Securities carried at fair value through profit or loss	1,977	2,285
Available-for-sale securities	31,993	29,552
Held-to-maturity securities	3,773	4,130
Equity accounted investees	19,825	18,885
	57,568	54,852

Investment income by segment

	2021	2020
Equities	1,806	1,033
Bonds	751	932
Managed funds	464	504
Bank balances and short-term deposits	572	407
Investment properties	314	329
Gross investment income	3,907	3,205
Investment administration expenses	(67)	(70)
Policyholders' share of net investment income	(208)	(272)
Depreciation charges on investment properties	(169)	(169)
Other investment properties' expenses	(126)	(88)
Net investment income	3,337	2,606

35. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties include transactions with associate companies, key management personnel including Directors of the Company and other companies in which the Directors control.

The related party transactions and balances included in these consolidated financial statements are as follows:

a. Related party balances

2021	Associates	Key management personnel	Companies under Directors control	Total
Insurance receivables	106	2	470	578
Other assets	142	-	-	142
Retirement and saving plan obligation	653	-	70	723
Insurance payables	9	-	45	54
Other liabilities	-	-	679	679

2020	Associates	Key management personnel	Companies under Directors control	Total
Insurance receivables	290	3	460	753
Retirement and saving plan obligation	587	-	62	649
Insurance payables	35	-	10	45
Other receivables	5	5	-	10
Other liabilities	-	-	741	741

35 RELATED PARTIES (continued)**b. Transactions with related parties**

2021	Associates	Key management personnel	Companies under Directors control	Total
Gross insurance premiums	584	9	1,483	2,076
Gross claims paid	381	29	356	766
Claims recoveries	118	-	-	118
Commission and fee expenses	5	-	-	5
Retirement and saving plan contributions received	88	-	6	94
Retirement and saving plan benefits paid	57	-	-	57
General and administration expenses	145	1,004	260	1,409
Dividend received	651	-	-	651
Purchase of equipment	-	-	2	2

2020	Associates	Key management personnel	Companies under Directors control	Total
Gross insurance premiums	548	8	1,279	1,835
Gross claims paid	390	1	279	670
Claims recoveries	123	-	-	123
Commission and fee expenses	11	-	-	11
Dividend received	590	-	-	590
Retirement and saving plan contributions received	85	-	7	92
Retirement and saving plan benefits paid	179	-	6	185
General and administration expenses	95	1,020	128	1,243
Purchase of equipment	-	-	59	59

c. Transactions with key management personnel

Key management personnel of the Group comprise of the Chief Executive Officer, Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	2021	2020
Salaries and allowances	734	735
Other benefits	83	74
Board remuneration and attendance fees paid	177	211
Board remuneration and attendance fees provision	161	161

36. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer liability in an ordinary transaction between market participant at the measurement date in the principle or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

2021	Fair value through the statement of profit or loss	Available-for-sale	Held-to-maturity	Loans and receivables	Financial liability	Total carrying value	Fair value
Cash and cash equivalents	-	-	-	4,962	-	4,962	4,962
Placements with banks	-	-	-	21,919	-	21,919	21,919
Insurance and other receivables	-	-	-	9,887	-	9,887	9,887
Financial investments	1,977	31,993	3,773	-	-	37,743	37,905
Total financial assets	1,977	31,993	3,773	36,768	-	74,511	74,673
Insurance payables	-	-	-	-	8,821	8,821	8,821
Other liabilities	-	-	-	-	5,940	5,940	5,940
Total financial liabilities	-	-	-	-	14,761	14,761	14,761

2020	Fair value through the statement of profit or loss	Available-for-sale	Held-to-maturity	Loans and receivables	Financial liability	Total carrying value	Fair value
Cash and cash equivalents	-	-	-	5,991	-	5,991	5,991
Placements with banks	-	-	-	12,962	-	12,962	12,962
Insurance and other receivables	-	-	-	9,879	-	9,879	9,879
Financial investments	2,285	29,552	4,130	-	-	35,967	36,256
Total financial assets	2,285	29,552	4,130	28,832	-	64,799	65,088
Insurance payables	-	-	-	-	6,608	6,608	6,608
Other liabilities	-	-	-	-	6,101	6,101	6,101
Total financial liabilities	-	-	-	-	12,709	12,709	12,709

Fair value hierarchy

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

36 FAIR VALUE MEASUREMENT (continued)

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1**
quoted prices (unadjusted) in active markets for identical assets and liabilities.
- **Level 2**
inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3**
inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

2021	Level 1	Level 2	Level 3	Total	Carrying Value
Available-for-sale investments	22,575	9,300	118	31,993	31,993
Securities carried at fair value through profit or loss	1,516	461	-	1,977	1,977
	24,091	9,761	118	33,970	33,970
2020	Level 1	Level 2	Level 3	Total	Carrying Value
Available-for-sale investments	16,750	12,661	136	29,547	29,547
Securities carried at fair value through profit or loss	1,097	1,188	-	2,285	2,285
	17,847	13,849	136	31,832	31,832

- **Transfers from level 1 to 2**

As at 31 December 2021, a number of investment securities with carrying value of BD 5,571 thousand (2020: 11,882 thousand) were transferred from Level 1 to Level 2 of the fair value hierarchy. This is due to the market conditions, where quoted prices for such investment securities were no quoted price or no adequate trading volumes for these securities at or closer to the measurement/reporting date. However, there was sufficient information available to measure fair value of these securities based on observable market inputs.

- **Transfers from level 2 to 1**

As at 31 December 2021, a number of investment securities with carrying value of BD 7,176 thousand were transferred from Level 2 to Level 1 of the fair value hierarchy, because the quoted prices in an active market for these investment securities became available.

- **Transfers between levels 2 and 3**

As at 31 December 2021, an investment security with carrying value of BD 88 thousand (2020: BD 136 thousand) was transferred from Level 2 to Level 3 of the fair value hierarchy because of inputs used in measuring the fair value of this investment became unobservable.

The Group recognizes transfers between levels of the fair value hierarchy as of the reporting date which the transfer has occurred.

The carrying amount of the Group's held-to-maturity investments equals BD 3,773 thousand (2020: BD 4,130 thousand) whereas the fair value of the investments is BD 3,935 thousand (2020: BD 4,419 thousand).

The carrying amount of the Group's other financial assets and liabilities approximate their fair values due to their short-term nature.

37. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group has commitments to make investments amounting to BD 280 thousand (2020: BD 349 thousand).

The Group is a defendant in a number of cases brought by third parties in respect of insurance liabilities which the company disputes. While it is not possible to predict the eventual outcome of such legal actions, the Group has made provision which, in their opinion, is adequate.

38. RECONCILIATION OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2021	2020
Lease liabilities:		
Balance at 1 January	556	588
Cash flows from financing cash flows		
Payment of lease liabilities	(81)	(95)
Other changes		
New leases	-	24
Interest expense	35	39
	35	63
Balance at 31 December	510	556

39. SIGNIFICANT EVENT – COVID-19

During 2020, an outbreak of the novel Coronavirus (COVID-19) has rapidly evolved across the region and globally. As a result, governments and authorities, including the Government of the Kingdom of Bahrain, have implemented several measures to contain the spread of the virus such as suspension of flights from/to various countries, other travel restrictions and quarantines and have also announced various support measures to counter adverse economic implications. These measures and policies have caused significant disruption in the operation of many companies around the globe. COVID-19 has also brought about significant uncertainties in the global economic environment. The Group operates in a sector which has not been heavily affected.

The Board of Directors has considered the potential impacts of the current economic downturn and uncertainty involved in the determination of the

reported amounts of the Group’s financial and non-financial assets and liabilities in these consolidated financial statements, and they are considered to represent management’s best assessment based on available and observable information. Based on this assessment, no material impact on the Group’s consolidated financial statements has been noted to date.

During 2020, The Government of the Kingdom of Bahrain has granted subsidies of BD 393 thousand towards staff costs and BD 35 thousand towards utility charges to counter adverse economic implications. In addition, the Group’s lessors had granted rent holiday of offices leased of BD 6 thousand. These amounts have been presented in the other income line in the consolidated statement of profit or loss. No subsidies amounts were received during 2021.

40. COMPARATIVE

Certain corresponding figures of 2020 have been regrouped where necessary to conform to the current year’s presentation. Such regrouping did not affect previously reported total assets, total liabilities, equity, profit or loss or comprehensive income.

