Annual Report
2023

BNH

Protecting Prosperity ™

Bahrain National Holding B.S.C.
9th Floor, BNH Tower,
Seef Business District
P.O Box. 843, Kingdom of Bahrain
bnhgroup.com

His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom
of Bahrain

His Royal Highness
Prince Salman bin Hamad Al Khalifa

Crown Prince and Prime
Minister of the Kingdom of Bahrain

SCAN TO VIEW
DOCUMENT

Bahrain National Holding B.S.C.
Minutes of Annual Ordinary General Assembly
meeting held on 20 March 2023

Contents

Group Overview

With a heritage that traces back to 1969, Bahrain National Holding Company B.S.C. (BNH) is a leading Bahraini organization, renowned for securing the trust of both local and regional shareholders over the years, thanks to its experience and track record. Today, BNH is a household name in the Kingdom of Bahrain.

Emerging from a strategic merger between Bahrain Insurance Company and National Insurance Company in 1998, BNH has since grown as a publicly traded company listed on the Bahrain Bourse.

BNH's Portfolio includes:

Subsidiaries:

- Bahrain National Insurance Company B.S.C. (c), a wholly owned subsidiary, which offers commercial insurance and motor & personal lines insurance under the bni brand.
- Bahrain National Life Assurance Company B.S.C. (c), a 75% owned subsidiary, which offers life & medical insurance under the bnl brand.
- iAssist Middle East W.L.L. a wholly owned subsidiary, offering a full range of automotive repairs services.

Associates:

- United Insurance Company B.S.C. (c)
- National Finance House B.S.C. (c)
- Al Kindi Hospital B.S.C. (c)
- Health 360 Ancillary Services W.L.L.

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

Financial Highlights

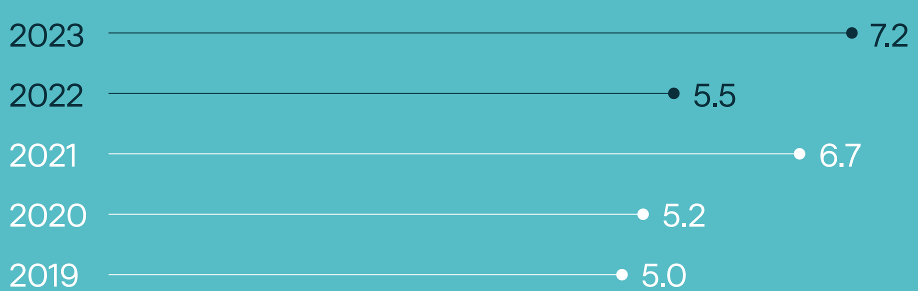
(The Financial Highlights for 2022 and 2023 were prepared in accordance with new accounting standards, IFRS 9 and IFRS 17)

Net Profit

BD 7.2 Million

Adjusted Net Profit *

BD 7.2 Million



* Excluding the effect of extraordinary non-recurring reclassification gain

Total Equity

BD 73.7 Million

2023	73.7
2022	69.6
2021	65.9
2020	60.5
2019	56.7

Market Capitalisation

BD 60.2 Million

2023	60.2
2022	53.0
2021	50.1
2020	41.7
2019	39.3

Board of Directors

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

Board & Committee memberships at BNH Group
- Chairman of the Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Holding Company (BNH)

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

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

Abdulhusain Khalil Dewani
Vice Chairman

Date of Appointment
Board Member since 1999

Status
Non-Executive Director

Educational Background
Certificate in Commercial Studies, University of Westminster, England

Nationality
Bahraini

Board & Committee memberships at BNH Group
- Chairman of Bahrain National Insurance Company (bni)
- Chairman of Nomination, Remuneration and Corporate Governance Committee (NRCG) - Bahrain National Insurance Company (bni)
- Vice Chairman of Nomination, Remuneration and Corporate Governance Committee of Bahrain National Holding Company (BNH)

Board memberships in other companies
- Chairman of Dawani Group Holding B.S.C., Bahrain
- Chairman of Deeko Bahrain W.L.L., Bahrain
- Chairman of Dawanco W.L.L., Bahrain
- Chairman of Dawani Properties W.L.L., Bahrain
- Chairman of Al Jazira Group, Bahrain
- Chairman of American Cultural & Educational Centre, Bahrain
- Chairman of Collection W.L.L., Bahrain
- Chairman of Capital Laundry W.L.L.
- Chairman of Legend Paints Company W.L.L., Bahrain
- Chairman of Tomina Trading W.L.L., Bahrain
- Chairman of Bahrain Surface Coating Company W.L.L.
- Chairman of Bahrain Foundation Construction Company, Bahrain
- Vice Chairman of Delmon Poultry Company W.L.L., Bahrain
- Director of The Bahrain Business Angels Holding Company Tenmou
- Director of 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

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

Board & Committee memberships at BNH Group
- Chairman of Bahrain National Life Assurance Company (bnl)
- Chairman of the Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Life Assurance Company (bnl)
- Member of the Audit, Compliance & Risks Committee (ACRC) – Bahrain National Holding Company (BNH)

Board memberships in other companies
- President of Abdulrahman bin Mohamed Juma & Sons W.L.L., Bahrain
- Chairman & Managing Director of UNEECO BSC (c)
- Chairman of Prudent Solutions W.L.L.
- Chairman of Universal Laboratories W.L.L
- Chairman of Prudent, Saudi Arabia J/V
- Director at Bin Juma Holdings

Jehad Yusuf Ameen
Director

Date of Appointment
Board Member since 1999

Status
Independent Non-Executive Director

Nationality
Bahraini

Board & Committee memberships at BNH Group
- Director at Bahrain National Insurance Company (bni)
- Member of the Executive & Investment Committee (EIC) - Bahrain National Holding Company (BNH)
- Member of the Executive & Investment Committee (EIC) - Bahrain National Insurance Company (bni)
- Member of the Executive & Investment Committee (EIC) - Bahrain National Life Assurance Company (bnl)
- Vice Chairman of the Nomination, Remuneration & Governance Committee (NRGC) - Bahrain National Insurance Company (bni)
- Member of the Nomination, Remuneration & Governance Committee (NRGC) - Bahrain National Holding Company (BNH)

Board memberships in other companies
- Director of Banader Hotels Company B.S.C
- Director at General Company for Trading & Food industries (TRAFCO), Bahrain
- Director at Bahrain Maritime & Mercantile International Company (BMMI), Bahrain
- Director at Bahrain Livestock, Bahrain
- Director at Bahrain Cinema Company B.S.C, Bahrain
- Director at United Insurance Company, Bahrain
- Director at Bahrain Duty Free Complex, Bahrain

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

Board & Committee memberships at BNH Group
- Director at Bahrain National Insurance Company (bni)
- Chairman of the Executive & Investment Committee (EIC) - Bahrain National Holding Company (BNH)
- Chairman of the Executive & Investment Committee (EIC) - Bahrain National Insurance Company (bni)
- Chairman of the Executive & Investment Committee (EIC) - Bahrain National Life Assurance Company (bnl)
- Member of the Nomination, Remuneration & Governance Committee (NRGC) - Bahrain National Insurance Company (bni)

Board memberships in other companies
- Chief Executive of Mohamed Fakhroo & Bros., Bahrain
- Managing Director & Partner of Fakhroo Information Technology Services, Bahrain
- Director & Partner of Qasim Mohamed Fakhroo & Sons W.L.L., Bahrain
- Director & Partner of Fakhroo Investment Company, Bahrain
- Director & Partner of Areej Trading Establishment, Bahrain
- Director at General Poultry Company B.S.C., Bahrain.
- Director at National Poultry Company B.S.C, Bahrain.

Sami Mohamed Sharif Zainal
Director

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

Board & Committee memberships at BNH Group
- Vice Chairman of Bahrain National Insurance Company (bni)
- Vice Chairman of the Executive & Investment Committee (EIC) - Bahrain National Holding Company (BNH)
- Vice Chairman of the Executive & Investment Committee (EIC) - Bahrain National Insurance Company (bni)
- Vice Chairman of the Executive & Investment Committee (EIC) - Bahrain National Life Assurance Company (bnl)
- Member of the Audit, Compliance & Risks Committee (ACRC) – Bahrain National Insurance Company (bni).

Board memberships in other companies
- Chairman of General Poultry Company, Bahrain
- Director at Zainal Enterprises, Bahrain
- Director at Tony Luke's, Bahrain
- Marketing Director of Mohamed Ali Zainal Abdulla (MAZA), Bahrain

Other key positions:
- Member of Commercial Arbitration Committee, Bahrain Chamber of Commerce

Board of Directors
(Continued)

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 & Committee memberships at BNH Group
- Chairman of National Finance House B.S.C. (c), Bahrain
- Managing Director of E. K. Kanoo B.S.C (c), Bahrain
- Director at Supreme Council for Youth & Sports, Bahrain
- Director of Motor City, Bahrain

Ali Hasan Mahmood
Director

Date of Appointment
Board Member since 1999 & Re-elected in 2011

Status
Non-Executive Director

Educational Background
Bachelor's in Business Administration and Marketing, North Western College, London England

Nationality
Bahraini

Board memberships in other companies
- Chairman of Euro Gulf Oil Energy Services, Bahrain
- Chairman of United International Décor W.L.L., Bahrain
- Chairman of Bed Center W.L.L., Bahrain
- Chairman of United Marketing International Company W.L.L., Bahrain
- Chairman and Managing Director of Hasan & Habib s/o Mahmood Group of Companies, Bahrain
- Chairman and Managing Director of Al Jazeera Shipping Company. W.L.L., Bahrain
- Chairman and Managing Director of Al Jazeera Marine Services L.L.C, Sharjah, UAE
- Chairman and Managing Director of Al Jazeera Shipping Agencies, Bahrain
- Director at Bahrain Specialist Hospital, Bahrain
- Director at Bahrain Businessmen Association, Bahrain

Other key positions:
- Vice Chairman of 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

Board & Committee memberships at BNH Group
- Director at Bahrain National Insurance Company (bni)
- Director at Bahrain National Life Assurance Company (bnl)
- Vice Chairman of the Audit, Compliance & Risks Committee (ACRC) – Bahrain National Holding Company (BNH), Bahrain National Insurance Company (bni) & Bahrain National Life Assurance Company (bnl)
- Member of the Executive & investment Committee (EIC)- Bahrain National Life Assurance Company (BNL)

Board memberships in other companies
- Chairman of Khalifa A. Algosaibi Investment Co. CJSC, Dammam, Saudi Arabia

Abbas Abdul Mohsen Radhi
Director

Date of Appointment
Board Member since 2023

Status
Independent Non-Executive Director

Educational Background
- M.B.A. Financing & Business Law, University of Maine, USA
- M.S.B. Accounting, Houston College, Maine, USA
- BSc. Accounting, Kuwait University

Nationality
Bahraini

Board & Committee memberships at BNH Group
- Director at Bahrain National Insurance Company (bni)
- Director at Bahrain National Life Assurance Company (bnl)
- Chairman of the Audit, Compliance & Risks Committee (ACRC) – Bahrain National Holding Company (BNH), Bahrain National Insurance Company (bni) & Bahrain National Life Assurance Company (bnl)
- Member of the Nomination, Remuneration & Governance Committee (NRGC) - Bahrain National Life Assurance Company (bnl)

Board memberships in other companies
- Director at BMMI B.S.C. Bahrain
- Director at Shaheen Group Holding B.S.C. Closed, Bahrain
- Director at Al Kindi Hospital

Other Key Positions
- Chairman of Bahrain Accountants Association
- Chairman of Schools of Business Qualifications

Husain Abdulhameed Al Shehab
Director

Date of Appointment
Board Member since 2023

Status
Independent Non-Executive Director

Educational Background
- MA International Business Management Leeds Metropolitan University, United Kingdom
- BEng (Hons) Mechanical Engineering University of Bradford, United Kingdom

Nationality
Bahraini

Board & Committee memberships at BNH Group
- Director at Bahrain National Life Assurance Company (bnl)

Board membership in other companies:
- CEO at Growth Consultancy and Management
- Founder of Vorganica Perfumes
- Founder of Dukan Cafe

Sameer Ebrahim AlWazzan
Advisor to the Board

Date of Appointment
Since 2023

Educational Background
- MA International Business Management Leeds Metropolitan University, United Kingdom
- Stanford University, California, USA
- Manchester Business School, UK
- Swansea Polytechnic, UK
- Huddersfield Polytechnic, UK
- University of Bahrain

Nationality
Bahraini

Board memberships at other companies
- Chairman of United Insurance Company, Bahrain
- Vice-Chairman of Arabian Shield Cooperative Insurance Company, KSA

Awards
- Named the Top CEO in the Insurance industry in the GCC at the Top CEO Conference and Awards ceremony held in Dubai in 2022

Board of Directors' Report

Dear Shareholders

On behalf of Bahrain National Holding B.S.C. ("BNH") Board of Directors, we are pleased to present the annual report for the year ended 31 December 2023, which highlights the Group's annual performance.

Resilience, Growth and Diversification

The Kingdom of Bahrain navigated a complex global economic landscape in 2023 marked by the lingering impact of the COVID-19 pandemic, geopolitical tensions, and fluctuating oil prices.

The Kingdom's economy, as reflected by its Gross Domestic Product (GDP), showed resilience with a year-over-year growth of 2.5% in the third quarter. A significant 4.5% expansion in the non-oil sector partially offset a 6.8% contraction in the oil sector, emphasizing the importance of its diversification strategies.

The year showcased the important role that the non-oil sector plays in driving Bahrain's economy. Sectors such as financial services, manufacturing, and tourism emerged as key pillars of growth. The financial sector, in particular, demonstrated strong growth, further solidifying Bahrain's position as a regional financial hub. The performance of these sectors is integral to Bahrain's economic resilience and its ability to mitigate the impact of oil market fluctuations.

The exceptional results achieved in 2023 are a testament to the operational excellence embedded across our portfolio companies

Net Profit

BD 7.2 Million

Board of Directors' Report
(Continued)

2023 also witnessed progress across several infrastructure and development projects aimed at boosting economic growth and diversification. Notable projects include the Bahrain Marina development, the commencement of the US Trade Zone infrastructure works, and significant advancements in projects funded by the Gulf Cooperation Council (GCC) Development Fund. These projects represent significant capital investment into the local economy and highlight the Kingdom's commitment to enhancing its tourism, trade, and industrial sectors.

BNH Financial Performance

For the year 2023, we reported that the Group had achieved Net Profit Attributable to Shareholders of BD 6.9 million, compared to BD 11.2 million in 2022. Excluding the effect of a one-time non-recurring reclassification gain, BNH achieved a growth of 29% compared to the prior year 2022 (amounting to BD 5.4 million). The total comprehensive income attributable to the shareholders for the year ended 31st December 2023 increased to BD 8.1 million, compared to BD 3.9 million during 2022, representing an increase of 107%.

BNH's largest exposure within its investment portfolio is within the insurance sector. Focusing on our insurance subsidiaries, we and all other insurers have had to transition our financial reporting from IFRS 4 accounting standards to the new IFRS 17 reporting standards. Despite challenging market dynamics (with higher overall costs of healthcare and spare parts), Motor, Medical and General insurance verticals all demonstrated positive momentum. Overall, the insurance portfolio performed well with bni delivering 36% growth in net profit and bnl achieving a 53% growth in net profit. The businesses achieved these results through prudent underwriting, conservative reserving and claims control (the latter of which helped us maintain our key metrics in line with 2022) across the businesses. Both insurance businesses are developing new innovative products to cater to growing market demand.

Within BNH's other businesses, these continued to deliver strong results, with notable mentions towards United Insurance Company (UIC) and Al Kindi Hospital. UIC achieved high profitability, with revived traffic across the King Fahad Causeway, as well as the launch of new products. Al Kindi Hospital underwent a significant upgrade of their medical facilities and completed this expansion in the fourth quarter of 2023. National Finance House (NFH) experienced a challenging 2023, with high interest rates putting pressure on its net interest margins. Collectively, this portfolio contributed BD 1.4 million to BNH's net profit in 2023.

Inflation and labor data drove market sentiment through 2023, with a strong recovery across risk assets in the last quarter. Softer inflation data in the last quarter 2023, combined with robust GDP and other economic activity data convinced markets of a "soft landing" scenario in the US. Regional markets continued to perform well though most of the action was concentrated around new IPOs and recently listed names. Regional markets continue to offer value against a conducive macro backdrop, relative to other markets.

BNH's insurance subsidiaries successfully transitioned to IFRS 17 and IFRS 9 accounting standards for insurance contracts and financial investments, respectively. From an investment standpoint, a timely move since mid-2022, into short-term end of the yield curve, and effective liquidity management proved crucial in protecting portfolio value and positioning the group for a robust performance in 2023.

Net Investment income surged to BD 3.2 million, from BD 1.6 million, on strong recovery in markets as well as increased yields on our fixed income portfolio. However, distributions from our real estate and private equity holdings fell as we reduced exposure due to valuation concerns stemming from the higher yield environment. As we enter 2024, valuations across most markets and asset classes are significantly higher compared to the beginning of 2023. This necessitates a cautious approach to deployment and tempers our return expectations. We are particularly mindful of illiquid exposures and heightened counterparty risks. Our portfolio is fundamentally geared to oil prices, and a review of the demand and supply factors as they stand to lead us to assign a higher-than-average probability that Brent will underperform its 2023 average of USD 82 per barrel. Closer to home, we find greater relative value in fixed income, given the potential for corporate income tax and our views on oil prices.

Despite the headwinds, BNH navigated 2023 with strategic investment decisions and prudent risk management. While we remain cautious about the current market climate and potential oil price fluctuations, we are confident in our long-term investment discipline and its ability to deliver sustainable returns for our shareholders.

A Focus on the Future - Looking Ahead

The exceptional results achieved in 2023 are a testament to the operational excellence embedded across our portfolio companies. Strategic initiatives implemented in 2023 have laid the foundation for future growth, ensuring that BNH continues to create value for its shareholders.

Building on a year of record performance, we recognize the strategic importance of our portfolio, which includes incumbent and emerging industry leaders. Our focus is on making targeted investments in technology and innovation to further cement our companies' positions as industry leaders.

Looking ahead, we reaffirm our belief that our people are our greatest asset. We are committed to always investing in our employees and enhancing our skillsets as an organization, in order to not only sustain our performance, but also set new benchmarks of success.

Board of Directors' Report
(Continued)

Remunerations of the Board Members and Senior Executives

Transparent and comprehensive reporting on the 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:

	Fixed remunerations					Variable remunerations							
Name	**Remunerations of the Chairman and BOD**	**Total allowance for attending Board and committee meetings**	**Salaries**	**Others***	**Total**	**Remunerations of the Chairman and BOD (proposed)**	**Bonus**	**Incentive plans**	**Others****	**Total**	**End-of-service award**	**Aggregate amount (Does not include expense allowance)**	**Expenses Allowance**
First: Independent Directors:													
1- Farooq Yusuf Almoayyed	-	5,600	-	1,382	6,982	25,000	-	-	-	25,000	-	31,982	-
2- Jehad Yusuf Amin	-	9,500	-	514	10,014	15,000	-	-	-	15,000	-	25,014	-
3- Ayad Saad Algosaibi	-	7,500	-	514	8,014	15,000	-	-	-	15,000	-	23,014	-
4- Abbas Abdulmohsen Radhi	-	1,800	-	765	2,565	15,000	-	-	-	15,000	-	17,565	-
5- Hussain Alshehab	-	-	-	284	284	15,000	-	-	-	15,000	-	15,284	-
6- Redha Abdulla Faraj (Term ended on 20 March 2023)	-	6,100	-	1,382	7,482	-	-	-	-	-	-	7,482	-
Second: Non-Executive Directors:													
1- Abdulhussain Khalil Dewani	-	5,500	-	1,382	6,882	15,000	-	-	-	15,000	-	21,882	-
2- Abdulrahman Mohamed Juma	-	7,500	-	1,382	8,882	15,000	-	-	-	15,000	-	23,882	-
3- Sami Mohamed Sharif Zainal	-	9,000	-	514	9,514	15,000	-	-	-	15,000	-	24,514	-
4- Ghassan Qassim Fakhroo	-	9,800	-	514	10,314	15,000	-	-	-	15,000	-	25,314	-
5- Ali Hasan Mahmood	-	6,500	-	1,382	7,882	15,000	-	-	-	15,000	-	22,882	-
6- Talal Fuad Kanoo	-	5,000	-	514	5,514	15,000	-	-	-	15,000	-	20,514	-
Third: Executive Directors:													
NA	-	-	-	-	-	-	-	-		-	-	-	-
Total	**-**	**73,800**	**-**	**10,529**	**84,329**	**175,000**	**-**	**-**	**-**	**175,000**	**-**	**259,329**	**-**

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for Executives, including CEO and Senior Financial Officer	482,860	45,625	17,891	**546,376**

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.

On behalf of the Board of Directors, I would like to express our 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. We also extend our thanks to all the ministries, institutions, and government agencies, especially the Ministry of Industry and Commerce, the Central Bank of Bahrain, the Ministry of Finance, Tamkeen and the Bahrain Bourse, for their guidance and continuous support.

We 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 2023.

Farooq Yusuf Almoayyed
Chairman of the Board

Abdulhussain Khalil Dewani
Vice Chairman of the Board

Executive Management

Raed Abdulla Fakhri
Group Chief Executive Officer

Anand Subramaniam
Group Chief Investment and Financial Officer

Basil Ghali
Chief Transformation Officer

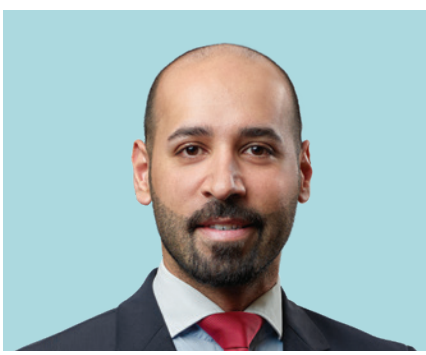
Ahmed Al-Aseeri
Chief Strategy Officer

Mohsin Ali
Senior Finance Manager

Bashayer Dhaif
Corporate Communications
Senior Manager & ESG Officer

Sami Askar
Information Technology &
Digital Transformation Senior Manager

Maryam AlAhmed
Human Capital Senior Manager



Abdulla Rawanbakhsh
Internal Audit Manager

Fatima AlEmadi
Board Secretary and Legal Counsel

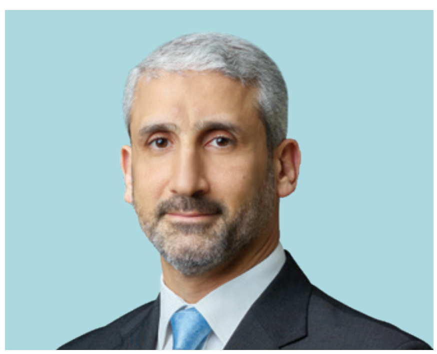
Ali AlMusawi
Senior Manager - Strategy, Planning
and Performance

Executive Management
(Continued)

Eman Mojali
Chief Executive Officer

Rayan Al Mahmood
Deputy Chief Executive Officer

Mohamed Al Meraj
Chief Operating Officer



Hasan Al Shehabi
Senior Manager - Survey and Quality

Faisal Isa Hussain
Risk, Compliance and MLRO Senior Manager

Ammar Al Raees
Senior Manager – Client Relations & Communications

Mona Al Atawi
Senior Manager – Motor Underwriting – Motor & Personal Lines

Sara Al Asfoor
Senior Manager – Commercial and Industrial Underwriting

Enas Asiri
Chief Executive Officer

Eman AlGhanami
Chief Medical Insurance Officer

Omar Al Aseeri
Chief Life Insurance Officer

Chief Executive Officer's Report

It is with great pride that I present to you the Annual Report for Bahrain National Holding (BNH) for the fiscal year ended December 31, 2023.

During my first year as Group CEO, the Group prioritised a number of strategic imperatives, focused on driving sustainable shareholder returns, in light of the global and regional economic challenges faced. Overall, 2023 marked a year of significant progress and success. The Group's journey resulted in strong year-on-year financial performance and growth, propelled by the performance of our portfolio companies and the team's dedication and hard work.

My confidence in our leadership teams, both within BNH and across our portfolio, has only deepened over the past year. Together, we are building on the solid foundation laid in 2023, aiming for greater achievements.

Financial Highlights

Our financial performance in 2023 has been driven by positive contributions from our portfolio of high-quality businesses. Net profit increased by 30% year on year, to BD 7.23 million from BD 5.57 million in the previous year (after adjusting for a non-recurring reclassification gain).

Total comprehensive income, an important metric capturing total shareholder return generated by BNH, grew to BD 8.48 million

Net profit increased by 30%

(after adjusting for a non-recurring reclassification gain)

Chief Executive Officer's Report
(Continued)

Total comprehensive income, an important metric capturing total shareholder return generated by BNH, grew to BD 8.48 million from BD 3.93 million in the previous year. Total comprehensive income attributable to the parent company amounted to BD 8.12 million, compared to BD 3.93 million in 2022.

Our growth and performance demonstrate our continued commitment to delivering consistent value to all of our stakeholders.

Based on our 2023 performance and strong capital position, we have recommended dividends payable to our shareholders of 35 fils per share, consistent with the previous year's dividend distribution.

Portfolio Performance in a Challenging Environment

2023 was a year marked by global and regional economic challenges, including inflation, rising costs, and high interest rates. Despite these challenges, BNH's portfolio companies have performed exceptionally well.

A notable point demonstrating the strength and adaptability of our 2023 strategic initiatives, we were able to rapidly deploy capital to take advantage of rising interest rates. This has been a significant contributor to our overall investment performance.

Strategic Initiatives

This year we formed the Strategy, Planning, and Performance (SPP) unit. SPP was tasked with leading the development and implementation of strategic and operational initiatives across BNH and selected portfolio companies, with the objective of improving performance through operational efficiencies, capital management and strategic repositioning.

Future Outlook

The global economic landscape in 2024 presents a mix of challenges and opportunities. According to the IMF's latest World Economic Outlook Update, global growth is projected at 3.1% for 2024, slightly higher than previous forecasts, thanks to resilience in key economies and fiscal support in regions like China. However, this growth rate remains below the historical average.

Inflation is expected to decline more rapidly than anticipated across most regions, setting the stage for a potential soft landing of the global economy. This balanced outlook, with risks of both upside and downside, underscores the importance of strategic planning and adaptability in our investments and operations.

Under the leadership and vision of His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, the Kingdom of Bahrain ranked 44th globally out of 134 countries in the Global Talent Competitiveness Index 2023 issued by INSEAD. An improvement of 5 places, the Kingdom of Bahrain also ranked 5th in the 'Digital Skills' indicator and 5th regionally out of 18 countries. With a young population and continuous investment in local talent, the Kingdom of Bahrain's local economy is supported by initiatives aimed at fostering innovation and growth.

Zooming into our largest portfolio weighting, the insurance sector, in which our subsidiaries Bahrain National Insurance (bni) and Bahrain National Life Assurance (bnl) operate, is poised for transformation. Innovation and customer relationships are, and will always be, key growth drivers. Investing in technology platforms to enhance customer experiences and launch innovative disruptive products is crucial. bni and bnl are ready to embrace these industry transformations.

Looking Forward

As we look to the future, we remain committed to delivering value to our stakeholders. With a clear roadmap for growth, we are ready to continuously generate returns for all of BNH's stakeholders.

Following the successful implementation of key operational and strategic initiatives, BNH is well-positioned to leverage opportunities for expansion and innovation, particularly in sectors critical to Bahrain's economic vision.

I extend my sincere thanks to all our stakeholders, and especially to our Chairman, Farooq Yusuf Almoayyed, and our Board of Directors, for their unwavering support, and commitment. Their guidance has been instrumental in navigating the challenges of the past year.

Raed Abdulla Fakhri

Group Chief Executive Officer

Subsidiaries

Bahrain National Insurance
Established: **1998**
Capital: **BD6.5 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.

www.bnidirect.com

Bahrain National Life Insurance
Established: **2000**
Capital: **BD5 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.

www.bnl4life.com

iAssist Middle East
Established: **2020**
Capital: **BD1.2 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

Established: **1986**
Paid-up capital: **BD5 million**
BNH 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

Established: **2005**
Paid-up capital: **BD7.5 million**
BNH 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

Established: **2008**
Paid-up capital: **BD2.2 million**
BNH 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

Health °360 Ancillary Services W.L.L

Established: **2013**
Paid-up capital: **BD0.6** million
BNH share: **22.2%**

"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

Corporate Governance

Corporate Governance Commitment

Bahrain National Holding ("BNH" or the "Group") commits to implement a system that is in line with the Bahrain Commercial Companies Law ("BCCL") No. 21 of 2001 and its amendments, Corporate Governance Code of Bahrain, which was enacted by the Ministry of Industry & Commerce ("MOIC") and endorsed by the Central Bank of Bahrain ("CBB") in 2010; that was amended in 2018 and later in 2022, in particular to High-Level Controls (HC) Module of 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 was adopted and implemented on February 2022.

BNH implements the corporate governance requirements in every aspect of its operations and responsibilities and recognizes it as a system whereby the Group's business operations are financially and commercially directed and controlled.

The governance organizational structure defines the distribution of rights and responsibilities among 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 a measure to monitor its performance.

Regulatory Authorities

BNH and its subsidiaries: (Bahrain National Insurance Company B.S.C.(c) ("bni"), Bahrain National Life Assurance Company B.S.C.(c) ("bnl") and iAssist Middle East W.L.L. ("iAssist") maintained their full commitment to all applicable rules and regulations issued by the Central Bank of Bahrain and other regulatory authorities, without reporting any monetary penalties during the year 2023.

Ownership of Shares

BNH shares are listed on the Bahrain Bourse. The Group has issued 119,175,000 ordinary shares, each with a nominal value of 100 fils. All shares are fully paid.

Statement of shareholders equity classification

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
1	Local	58.481%	25.704%	0.229%	84.414%
2	Arab	1.962%	13.105%	-	15.067%
3	Foreign	0.504%	0.015%	-	0.519%
4	**Total**	**60.947%**	**38.824%**	**0.229%**	**100.00%**

Description of shareholders according to their Nationality

Nationality	No of shareholders	No of shares	% of shareholding
Bahraini	653	100,600,498	84.414%
Emarati	4	81,500	0.068%
Kuwaiti	2	15,133	0.013%
Qatari	2	4,318	0.004%
Saudi	8	2,237,025	1.877%
American	2	19,530	0.016%
Egyptian	1	543	0.000%
Indian	6	58,377	0.049%
Iraqi	3	15,617,467	13.105%
Virgin Islands (British)	1	540,609	0.454%
Total	**682**	**119,175,000**	**100.00%**

Description of shareholders according to their respective shareholding

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	500	6,005,866	5.039%
2	50,000 to 500,000	131	22,709,658	19.056%
3	500,001 to 5,000,000	49	75,024,903	62.954%
4	>5,000,001	2	15,434,573	12.951%

Major shareholders (shareholders who hold 5% or more of BNH share capital)

#	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

Corporate Governance
(Continued)

The Board

BNH's Board of Directors is comprised of eleven non-executive members, with ten (10) members elected by the shareholders and one (1) appointed member. All selections, both elected and appointed, were approved by the Central Bank of Bahrain in March 2023 for a three- year term. The primary purpose of the Board of Directors is to serve as representatives of the shareholders, safeguarding their rights and interests. Upon appointment, the Board acknowledged the duties, responsibilities, attendance requirements, adherence to the code of conduct, and confidentiality associated with such a role.

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, and Board Committees' Members are subjected to an annual evaluation system in accordance with the relevant rules of governance to regularly assess the members' effectiveness and contribution.

The Board is committed to following and adhering to the Group's 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 while 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, Compliance and Risk Committee (ACRC), whose Chairman represents to the Board the matters discussed in relation to 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 providing open communication channels with the Group's shareholders via the Group's website, emails, the press, and its social networking sites, as well as at the periodic shareholders' meetings. The names and profiles of Directors are listed on page (8).

Independence of Directors

An independent director is a member of the Board of Directors who does not have a material relationship with the company that can interfere with a director's judgement and is not involved with the day-to-day operations of the company. In line with the obligations of the CBB's HC Module and the Corporate Governance Code, BNH has adopted comprehensive procedures to review and determine the independence of directors on an annual basis. In 2023, five (5) members of the Board have met the legal requirements to be categorized as 'Independent Directors'.

Election system of Directors

The Board of Directors are elected through the secret cumulative voting in the General Assembly meeting, and cumulative voting is a method where each shareholder shall be granted voting power in proportion to number of shares he/she holds. This method ensures the achievement of the company's objectives and increase the opportunity for the minority shareholders to be represented in the Board of Directors.

Termination of the Director(s)

Termination:

BNH follows the regulations and laws set forth by MOIC, CBB, BHB, and the group's article and memorandum of association in respect to the termination of a Board Member.

Accordingly, the Director's membership of the Board may terminate in the following events:

- In accordance with Article (18) and (197) of the BCCL.
- If he was appointed or elected contrary to the provisions of the Central Bank of Bahrain rules and regulations, the Commercial Companies Law and/or the Company's article of association.
- If he forfeits any of the conditions of Membership of the Board of Directors as stated in the Company's article of association and Article (25)
- If he misuses his position as Director in carrying on personal matters or business in which he has a personal interest, or that is competitive to that of the Company or if he causes any type of actual damage to the Company or adversely affected its reputation. Termination from the Board of Directors shall not prejudice the Company's right to compensation.
- If he fails to attend at least 75% of all the Board meetings in a given financial year without lawful excuse notified in writing to the Board, and the Board shall resolve on this matter as it may deem fit.
- If he resigns or withdraws from his office, provided the foregoing shall be done in an opportune and suitable time, otherwise he shall be liable to pay compensation to the Company.
- If he accepts appointment in any other office in the Company for which he would receive salary or remuneration other than that which the Board of Directors may decide from time to time to remunerate him because of the executive nature of his duties.

Removal of Directors:

- The general assembly may remove all, or some, of the members of the Board of Directors even if the company's Articles of Incorporation provides otherwise. A request for this purpose shall be submitted by a number of shareholders representing at least ten percent (10%) of the capital, and the Board of Directors shall submit the request to the general assembly within no more than one month from the date it is submitted, or else the Ministry of Industry and Commerce shall send out the invitation. The general assembly may not debate the removal request if it is not listed on its agenda, unless serious developments take place during the meeting. The member removed may claim compensation from the company if his removal is made without an acceptable reason or at an inopportune time.
- The member of the Board of Directors may resign his office provided that this should be at a suitable time, or else he shall be liable to pay compensation.

Corporate Governance
(Continued)

Board Duties

- Adopting the commercial and financial policies associated with the company' performance and achievement of its objectives, and drawing, overseeing reviewing the company's plans, policies and strategies.
- Setting and supervising the regulations and systems of the company's internal control.
- Determining the company's optimal capital structure, strategies and financial objectives and approving annual budgets.
- Approving the company's quarterly and annual financial statements.
- Monitoring the executive management's activities.
- Forming specialized committees emerging from the Board of Directors.
- Setting a mechanism to regulate transactions with related parties in order to minimize conflicts of interests.
- Assuring equitable treatment of shareholders including the minority shareholders.

Material transactions that require the Board's approval

Material transactions requiring approval by the Board include large credit transactions in accordance with the authority matrix approved by the Board, related party transactions and any other significant strategic, investment or major funding decisions in accordance with Board approved policies and procedures".

Membership statistics by gender in the Board of Directors

No. of members of the BOD	Male	Percentage	Female	Percentage
11	11	100%	-	-

There were three female nominees last election (2023) but did not obtain sufficient votes for a seat in the Board.

Ownership of BNH shares by the Board of Directors and Executive Management – from January to December 2023

Name of Shareholder	Title	Number of Shares As At 01/01/2023	Number of Shares As At 31/12/2023	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	730,398	865,398	135,000
Jehad Yusuf Amin	Board Member	3,487,762	3,487,762	-
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	-
Husain Abdulhameed Alshehab	Board Member	577	577	-
Sameer Ebrahim Alwazzan	Board Advisor	114,741	114,741	-

Description of the transactions made by the Directors, their spouses, and their sons on the Group's shares during the year 2023:

#	Name	Position/kinship	Shares held as at 31/12/2023	Total sale transaction	Total purchase transaction
1	Abdulrahman Mohamed Juma	Board Member	865,398	-	135,000

Corporate Governance
(Continued)

Directors' Attendance at Board Meetings in 2023

Board members	Title	Meeting No. 1 21 Feb	Meeting No. 2 5 June	Meeting No. 3 10 August	Meeting No. 4 8 Nov	Attendance percentage
Farooq Yusuf AlMoayyed	Chairman (Independent Non-Executive Director)	✓	✓	✓(R)	✓	100%
Abdulhusain 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)	✓	✓	✓(R)	✓	100%
Ghassan Qasim Fakhroo	Board Member (Non-Executive Director)	✓	✓	✓	✓	100%
Talal Fuad Kanoo	Board Member (Non-Executive Director)	✓	✓	✓(R)	✓	100%
Ali Hasan Mahmood	Board Member (Non-Executive Director)	✓	✓	✓(R)	✓	100%
Redha Abdulla Faraj *	Board Member (Independent Non-Executive Director)	✓	-	-	-	100%
Abbas Abdulmohsen Radhi **	Member (Independent Non-Executive Director)	-	✓	✓	✓	100%
Husain Abdulhameed Alshehab **	Board Member (Independent Non-Executive Director)	-	✓	✓	✓	100%

(R) Attended remotely

* Board Member till March 2023

** Board Member, effective March 2023

- Mr. Farooq Yusuf AlMoayyed is the Chairman of the Board.
- The induction and orientation process is carried out for the Board of Directors with the assistance of the Group's Chief Executive Officer and the Corporate Secretary. The process is managed by means of continuous meetings and discussions with the Senior Management, and both External and Internal Auditors, for the purpose of increasing 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.
- BNH's Board held four meetings during the year 2023.

Description of the remunerations including sitting fees to the Directors for their membership and attendance of the Board and Board's committees in the financial year 2023 according to the following table:

	Fixed remunerations					Variable remunerations							
Name	Remunerations of the Chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the Chairman and BOD (Proposed)	Bonus	Incentive plans	Others	Total	End-of-service award	Aggregate amount	Expenses Allowance
First: Independent Directors:													
1 Farooq Yusuf AlMoayyed	-	5,600	-	1,382	6,982	25,000	-	-	-	25,000	-	31,982	-
2 Jehad Yusuf Amin	-	9,500	-	514	10,014	15,000	-	-	-	15,000	-	25,014	-
3 Ayad Saad AlGosaibi	-	7,500	-	514	8,014	15,000	-	-	-	15,000	-	23,014	-
4 Abbas Abdulmohsen Radhi	-	1,800	-	765	2,565	15,000	-	-	-	15,000	-	17,565	-
5 Hussain Abdulhameed Alshehab	-	-	-	284	284	15,000	-	-	-	15,000	-	15,284	-
6 Redha Abdulla Faraj (Term ended)	-	6,100	-	1,382	7,482	-	-	-	-	-	-	7,482	-
Second: Non-Executive Directors:													
1 Abdulhussain Khalil Dewani	-	5,500	-	1,382	6,882	15,000	-	-	-	15,000	-	21,882	-
2 Abdulrahman Mohamed Juma	-	7,500	-	1,382	8,882	15,000	-	-	-	15,000	-	23,882	-
3 Sami Mohamed Sharif Zainal	-	9,000	-	514	9,514	15,000	-	-	-	15,000	-	24,514	-
4 Ghassan Qassim Fakhroo	-	9,800	-	514	10,314	15,000	-	-	-	15,000	-	25,314	-
5 Ali Hasan Mahmood	-	6,500	-	1,382	7,882	15,000	-	-	-	15,000	-	22,882	-
6 Talal Fuad Kanoo	-	5,000	-	514	5,514	15,000	-	-	-	15,000	-	20,514	-
Total	**-**	**73,800**	**-**	**10,529**	**84,329**	**175,000**	**-**	**-**	**-**	**175,000**	**-**	**259,329**	**-**

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).

Corporate Governance
(Continued)

Board Committees

Audit, Compliance & Risks Committee (ACRC)

Responsibilities

- Oversee the selection and compensation of the External Auditors, as well as their professionalism, as required for their appointment and approval by the Board at the Annual General Meeting.
- Approve the Head of Internal Audit's appointment, replacement, reassignment or dismissal.
- Review and approve the annual plans for Internal Audit, Compliance and Risk.
- Review the audited annual, quarterly, and semi-annual Financial Statements, and discuss them 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 the 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's personnel, procedures, internal controls. In addition the compliance function's procedures, and any risk management systems.
- Ensure processes are established and maintained to address critical financial reporting risks and increase the transparency of financial reporting.
- Assess the independence, accountability, and effectiveness of External Auditors.

Directors' Attendance at ACRC Meetings in 2023

Members	Title	Meeting No. 1 14Feb	Meeting No. 2 29 May	Meeting No. 3 8 August	Meeting No. 4 5 Nov	Attendance percentage	Sitting Fees per Meeting (BD)	Aggregate Sitting Fees (BD)
Redha Abdulla Faraj*	Chairman (Independent Non-Executive Director)	✓	-	-	-	100%	600	600
Abbas Abdulmohsen Radhi **	Chairman (Independent Non-Executive Director)	-	✓	✓	✓	100%	600	1,800
Ayad Saad AlGosaibi	Vice Chairman (Independent Non-Executive Director)	✓	✓	✓(R)	✓	100%	500	2,000
Abdulrahman Mohamed Juma	Member (Non-Executive Director)	✓	✓(R)	✓	✓	100%	500	2,000
Ali Hasan Mahmood ***	Member (Non-Executive Director)	✓	✓	✓(R)	-	100%	500	1,500

(R) Attended remotely

* Committee Member till March 2023

** Committee Member, effective March 2023

*** Committee Member till August 2023

- Mr. Abbas Abdulmohsen Radhi is the Chairman of the ACRC.
- The ACRC is required to meet at least four times in a financial year.
- BNH's ACRC held four meetings during the year 2023.

Corporate Governance
(Continued)

Executive & Investment Committee (EIC)

Responsibilities

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

Directors' Attendance at EIC Meetings in 2023

Members	Title	Meeting No. 1 23 & 25 Jan	Meeting No. 2 9 May	Meeting No. 3 10 July	Meeting No. 4 3 Aug	Meeting No. 5 1 Nov	Meeting No. 6 19 Nov	Meeting No. 7 20 Nov	Meeting No. 8 21 Nov	Attendance percentage	Sitting Fees per Meeting (BD)	Aggregate Sitting Fees (BD)
Ghassan Qasim Fakhroo	Chairman (Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓	100%	600	4,800
Sami Mohamed Sharif Zainal	Vice Chairman (Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓	100%	500	4,000
Jehad Yusuf Amin	Member (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓	100%	500	4,000
Ayad Saad AlGosaibi *	Member (Independent Non-Executive Director)	✓	-	-	-	-	-	-	-	100%	500	500

* Committee Member till March 2023

- Mr. Ghassan Fakhroo is the Chairman of the EIC.
- The EIC is required to meet at least four times in a financial year.
- BNH's EIC held eight meetings during the year 2023.

Nomination, Remuneration & Governance Committee (NRGC)

Responsibilities

- Monitor the establishment of an appropriate Corporate Governance framework.
- Nomination of Board and Sub-committees' members, in addition to the Group's CEOs, Deputy Group CEOs, CFO and Corporate Secretary.
- Make necessary recommendations to the Board as to changes to 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 Board members', Committees' and Senior Executives' performance.

Directors' Attendance at NRGC Meetings in 2023

Members	Title	Meeting No. 1 21 Feb	Meeting No. 2 24 Jan*	Attendance Percentage	Sitting Fees per Meeting (BD)	Aggregate Sitting Fees (BD)
Farooq Yusuf AlMoayyed	Chairman (Independent Non-Executive Director)	✓	✓	100%	600	600
Abdulhussain Khalil Dewani	Vice Chairman (Non-Executive Director)	✓	✓	100%	500	500
Jehad Yusuf Amin	Member (Independent Non-Executive Director)	✓	✓	100%	500	500
Redha Abdulla Faraj**	Member (Independent Non-Executive Director)	✓	-	100%	500	500
Abdulrahman Mohamed Juma**	Member (Non-Executive Director)	✓	-	100%	500	500

* The siting fees for 2nd NRGC meeting was paid in 2024.

**Committee member till March 2023.

- Mr. Farooq Yusuf AlMoayyed is the Chairman of the NRGC.
- The NRGC is required to meet at least twice a year.
- BNH's NRGC held two meetings for the year 2023.

Corporate Governance
(Continued)

Performance Evaluation of Board & Committees

Based on the Corporate Governance requirements, the Board conducts a self-evaluation on its performance, the performance of each committee, and the 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 that indicate that the Board and its sub-committees have accomplished the tasks assigned to them to the fullest and have considered appropriately any recommendations arising out of such evaluation.

The Annual General Meeting

As per the Commercial Companies Law Decree No. 21 of 2001 (and as amended), all shareholding companies shall hold an annual general meeting (AGM). AGMs are yearly meetings arranged for shareholders to discuss company matters and address raised solutions. BNH's highest decision- making body are AGMs in which shareholders have the opportunity to be aware of and evaluate the Company's participate in management of the Company. The Corporate Governance Framework encourages BNH's Directors to attend AGMs to present the annual accounts and the Board of Directors' Report. The AGM platform for the Board gather official approval from shareholders on resolutions and votes on Board elections. At the Company's last annual shareholders meeting dated 20th March 2023, 10 Directors were elected and 1 Director was appointed. 35 Fils dividends per share were paid to shareholders for the year ending 2022.

There are statutory rules that govern the notice period to convene the AGM. All notices convening AGMs must be to the shareholders, representatives and Bahrain Bourse at least 21 days before the meeting. BNH's notice to convene the AGM is published in local newspapers and as a Bahrain Bourse announcement. The notice includes the invitation to the AGM and the agenda items.

AGMs must meet the legal quorum requirements as per the Commercial Companies Law to confirm the validity of the voting results.

BNH made the minutes of the AGM available to the shareholders and the competent authority within 15 days from the date of the meeting.

The Extraordinary General Meeting

An extraordinary general meeting (EGM) refers to any shareholders meeting called by a company other than its scheduled annual general meeting and for specific events as stated in article (210) of the BCCL. BNH did not require to convene EGM during 2023.

Shareholders' Rights

BNH continuously observes the statutory obligations enforced by the BCCL and its amendments in respect of shareholder rights and general assemblies. We have dedicated a section on the Group's website, www.bnhgroup.com to highlight the shareholders' rights to convene, participate and vote at each shareholder meeting and to communicate openly with the group.

The Management

The Board has delegated 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 Group CEO and senior management team's names and profiles are listed at the front of this annual report (18).

The total of the top 6 remunerations paid in 2023 to the key Management staff including salaries, privileges, allowances and annual bonus: BD 546,376.

Executive Management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	482,860	45,625	17,891	546,376

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.

Corporate Governance
(Continued)

Operational Committees

BNH Executive Management Committee

Objectives

- Provide a forum for the senior management team's ideas and opinions to be considered in issues relating to Group's policy and strategy, as well as for the exchange of inter-departmental information.
- Assure the Board that the Group's affairs are managed and 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 for the Group's future general management talent to be exposed to cross-functional or general managerial issues.
- Ensure that all Board decisions are complied with.
- Inculcate a team culture within the Group.

Membership

- Raed Fakhri, Group Chief Executive Officer, 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
- Fatima AlEmadi, Board Secretary and Legal Counsel , BNH – Member
- Ahmed Al-Aseeri, Chief Strategy Officer, BNH – Member
- Basil Ghali, Chief Transformation Officer, BNH – Member
- Ali AlMusawi, Senior Manager – Strategy, Planning and Performance, BNH - Member
- Mohsin Ali, Senior Manager - Finance , BNH – Member
- Bashayer Dhaif, Senior Manager - Corporate Communication & ESG Officer, BNH – Member
- Sami Askar, Senior Manager - Information Technology & Digital Transformation, BNH – Member
- Maryam Al Ahmed, Senior Manager - Human Capital, BNH – Member
- Abdulla Rawanbakhsh, Manager - Internal Audit, BNH – Member
- Mohammed Husain, Officer - Property, BNH – Member
- Faisal Husain, Risk & Compliance Senior manager & MLRO – Risk and Compliance - Member

Risk Management Committee

Responsibilities

- Coordinating the decision-making process 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 ACRC.
- Ensuring risk mitigation techniques and controls are implemented by various business units and support functions.

Membership

- Raed Fakhri, Group Chief Executive Officer, 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
- Sami Askar, Senior Manager - Information Technology & Digital Transformation, BNH – Member
- Abdulla Rawanbakhsh, Manager - Internal Audit, BNH – Member
- Faisal Husain, Risk & Compliance Senior Manager & MLRO, bni - Committee Secretary

Corporate Governance
(Continued)

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.
- 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 the level of involvement from other departments, management of approvals, implementation, and accountability to achieve the sustainability objectives.

Committee Members

- Bashayer Dhaif, Senior Manager - Corporate Communications and ESG Officer, BNH – Chairman
- Sami Askar, Senior Manager - Information Technology & Digital Transformation, BNH – Member
- Maryam AlAhmed - Senior Manager - Human Capital, BNH – Member
- Faisal Husain - Risk & Compliance Senior Manager & MLRO, bni - Member
- Mohammed Husain - Officer - Property, BNH – Member
- Maryam Abdulla – Assistant Manager – Deputy Compliance & 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 and other regulatory authorities. The responsibility for overseeing the Group's compliance lies with the independent Risk, Compliance & AML Department that directly reports to the Board's 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 Compliance 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 complying with its obligations to combat money laundering, terrorist financing, and the 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 the regulations of the Central Bank of Bahrain to prohibit, prevent, detect, and report any money laundering, terrorist financing and proliferation of weapons activities through the implementation of appropriate systems, processes, and controls.

On an annual basis, the Group conducts a thorough review of its policies, procedures, and internal directives, in addition to arranging specialized courses to ensure ongoing compliance. The Group subsidiaries have submitted their 2022 external auditors' report in 2023 in accordance with the CBB requirements. With the increase of our business volume and daily transactions, the Group took a strategic direction to invest in an automated AML solution, the AML solution assists in facilitating a smooth workflow between concerned departments, enhancing current investigations, sanctions, and AML/CFT/CPF screenings, in addition to understanding our customers' behavioral patterns to ensure concerns are escalated with the appropriate authority or relevant stakeholders.

Corporate Governance
(Continued)

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 2023 consolidated financial statements, the auditor's review of the 2023 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 of 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.

Audit and non-audit fees paid by the Group for 2023

	Amount
Audit and review fees	67,000
Non-audit fees	16,100

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, such as board of directors, Subsidiary CEO's, Head of compliance, etc. Relatives cannot be employed within the organisation in the same department.

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 2023, 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.

Corporate Governance
(Continued)

Key Persons Trading

The Group's compliance with the latest Key Persons Trading regulations of the Central Bank of Bahrain is supervised by the ACRC which reports to the Board of Directors. The Group has submitted its Internal Audit report for the year 2023 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 monetary 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, Fatima AlEmadi, 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 Corporate 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 are disclosed to the shareholders herein. 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.

Corporate Governance
(Continued)

Related Parties Transactions

The Commercial Companies Law, CBB's regulations and the Group's corporate governance policy emphasize on Director's duty to avoid situations in which they may have conflicts of interest. This includes potential conflicts that may arise when a Director have other duties and business interest(s) with another company. In addition, a declaration of a conflict of interest including all material facts in a contact or a transaction. The Director's concerned then must abstain from the deliberations and voting on the relevant matter(s).

As stipulated in the Group's Corporate Governance, the concerned Directors do not participate in decisions in which they have or may have a potential conflict of interest.

Details of related party transactions involving the Group in 2023 are disclosed in Note 28 of the financial statements. The company applies enhanced procedures for related parties' transactions and has set a mechanism to regulate transactions with related parties in order to minimize conflicts of interest.

Process of approval for related-party transactions includes

- Identifying the accounts of all related party including personal and associate companies
- Identifying and listing all transactions and balances related to the identified accounts
- Obtain the approval of the Board on quarterly basis
- Discussed and approved by the shareholders annually at the Annual General Assembly Meeting (AGM)

Status of compliance with CBB's High Level Controls 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 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

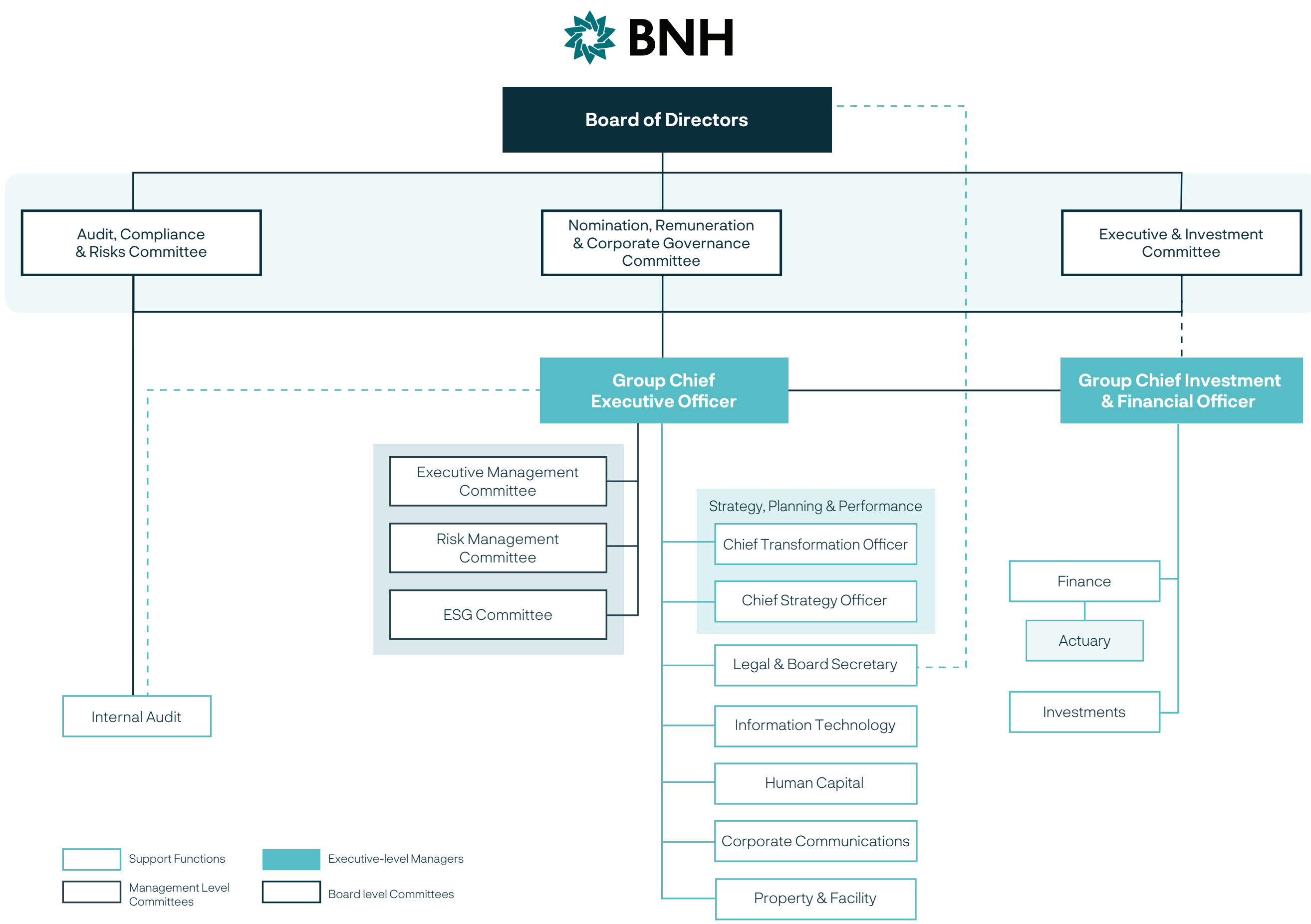
HC-1.3.6 states that No Director holds more than 3 Directorships in public companies in Bahrain with the provision that no conflict of interest may exist (which includes having an interest in companies in the same line of business), and the Board should not propose the election or re-election of any 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 in 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.

Corporate Governance Officer

BNH has an appointed Corporate Governance Officer in accordance to the Corporate Governance Code.

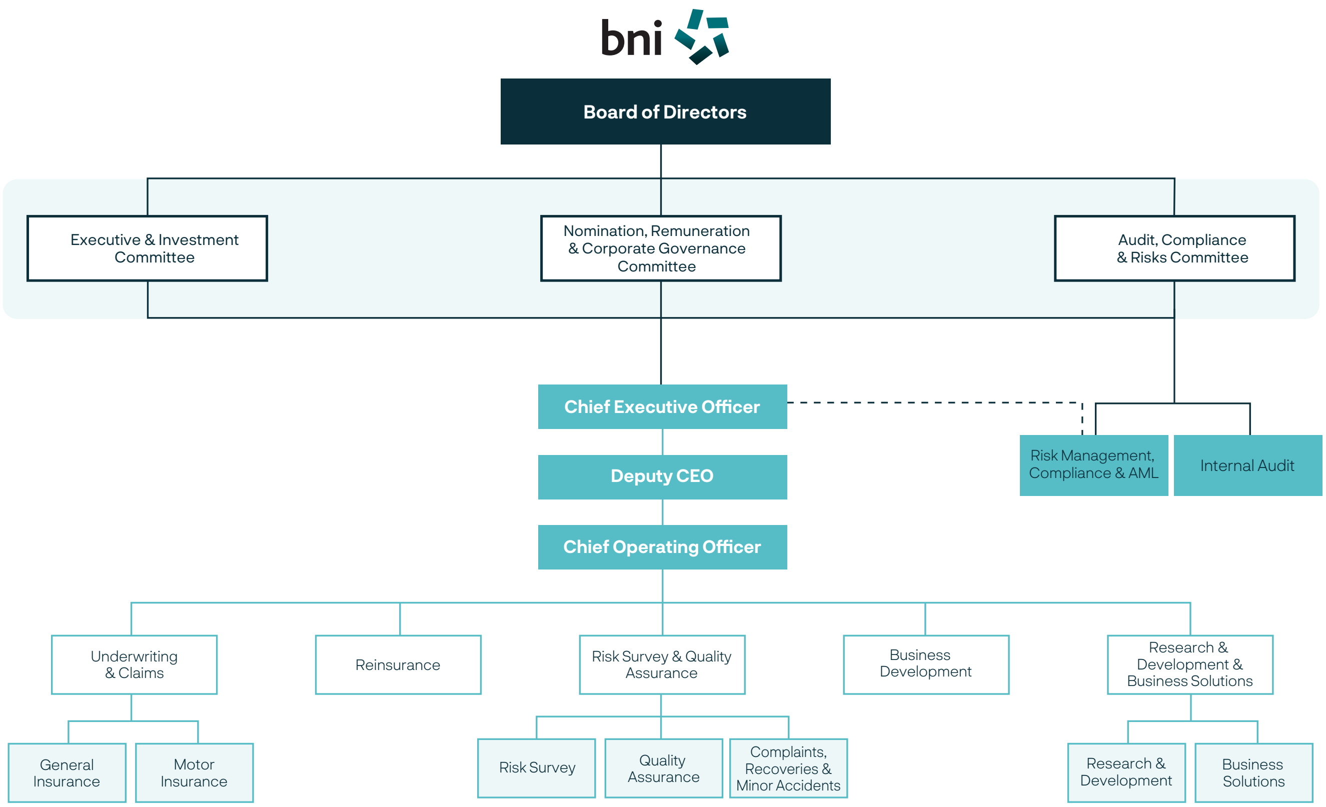
Name	Date of Appointment	Contact Details
Amina Jasim Bushaar	10-January-2024	Tel: 17587308 Email: amina.bushaar@bnhgroup.com

Organization Structure



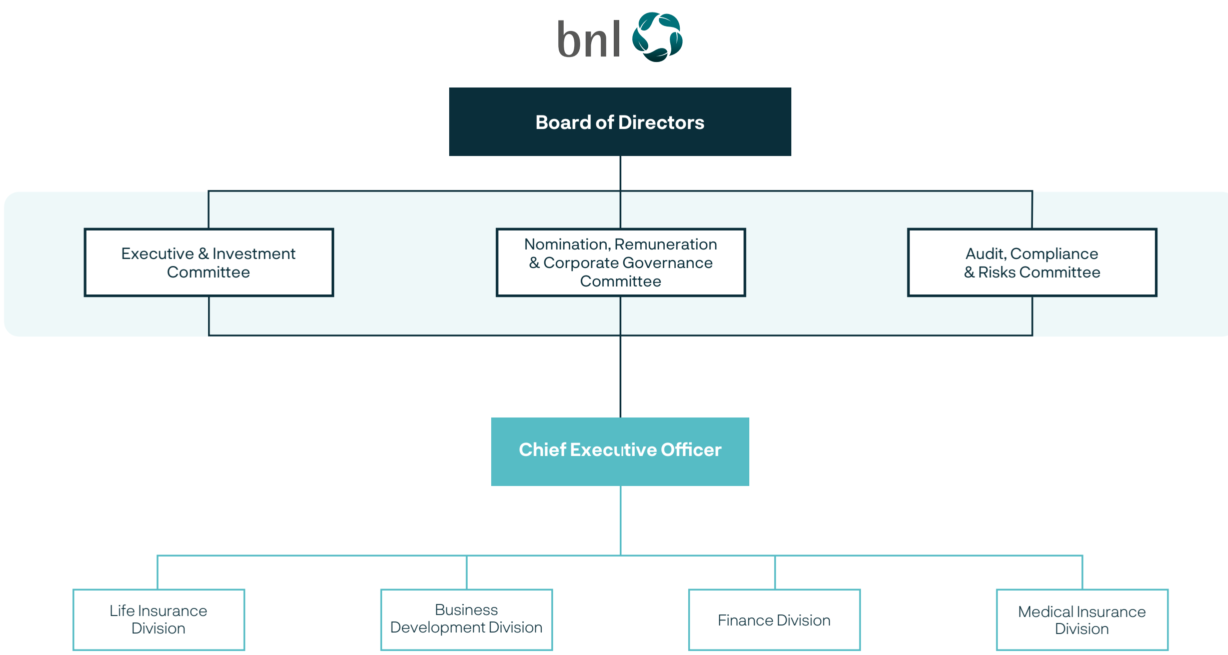
Notes:

1. Management Committees are jointly formed for the Group; Parent and subsidiaries included.
2. Support functions are provided by BNH to bni and bnl through Service Level Agreement, as applicable to the operation of that company.
3. Risk, Compliance and AML is provided through Service Level Agreement between bni and BNH.



Note:
Internal Audit is provided through Service Level Agreement between BNH and bni.

Organization Structure
(Continued)



Notes:
1. Internal Audit is provided through Service Level Agreement between BNH and bnl.
2. Risk, Compliance and AML is provided through Service Level Agreement between bni and bnl.

Contacts

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Independent Auditors' Report To the Shareholders of

Bahrain National Holding Company B.S.C
9th floor, BNH Tower,
Al Seef Business District
Kingdom of Bahrain

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 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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)

Transition to IFRS 17 " Insurance Contract"

Refer to note 4(A) to the consolidated financial statements for the disclosures on the transition to IFRS 17.

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: • IFRS 17 "Insurance Contracts" (IFRS 17), which the Group adopted on 1 January 2022: – resulted in new accounting policies, including applying the modified retrospective approach as a transition option by the Group. – resulted in changes to the measurement of insurance and reinsurance contracts by using a new estimate and judgments underlying the determination of adjustments on transition as the Group issues a wide range of insurance and reinsurance contracts; and – significant changes in process, data, and controls that have not been subject to testing previously. • The adoption of this standard has had a significant impact on the reported financial position and performance of the Group, including key performance indicators.	Our audit procedures, amongst others, included: • evaluating the appropriateness of management's selection of accounting policies based on the requirements of IFRS 17, our business understanding, and industry practice; • considering the appropriateness of the transition approach, this includes evaluating management's process for identifying contracts to be assessed based on the selected transition approach; • validating the application of measurement model choice for selected sample groups of contracts, including testing for Premium Allocation Approach ("PAA") including testing for onerosity; • involving own specialists to challenge key judgments and estimates made by management in relation to transition. This includes evaluating the reasonableness of management's key estimates and judgements over classification and measurement decisions; • evaluating the completeness of data used in preparing the transition adjustments; and • assessing the adequacy of the Group's transitional disclosure requirements in line with IFRS 17.

Independent Auditors' Report to the Shareholders (Continued)

Valuation of insurance contract assets and liabilities

Refer to the use of estimate and management judgement in note 6, accounting policies in note 5 and disclosures in note 14 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: • As at 31 December 2023, the Group had significant insurance contract liabilities, representing 74.1% of the Group's total liabilities and relating to liabilities for remaining coverage and liabilities for incurred claims. • The Group has applied the PAA for all groups of insurance contracts, except for the life business which is measured under the General Measurement Model ("GMM") approach. • Complex accounting requirements, including the inputs, assumptions, estimates techniques used for contract assets and liabilities and measuring components of insurance contract liabilities that include: – the estimate of future cash flows within the liability for remaining coverage and liability for incurred claims; – discounting applied to the estimates of future cash flows to reflect the time value of money and financial risk; – estimation of the non-financial risk adjustment; – contractual service margin (CSM), loss component, and loss recovery component; and – asset and liability for remaining coverage for contracts measured under PAA. • Susceptibility to management bias and estimation uncertainty when making judgements to determine insurance contract liabilities; and • Complex disclosure requirements.	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 underwriting, claims payment and reserving; • involving our own specialists: – to assist us in evaluating the reasonableness of management's key judgements and estimates made in the measuring components of insurance and reinsurance assets and liabilities, including selection of methods, models, input, assumptions and estimates (consist of present value of future cash flows, discount rate, non-financial risk, CSM, etc.), as well as the impact of the economic uncertainties; – to verify the calculation of the contract asset and liability for remaining coverage and asset and liability for incurred claims and respective reinsurance amounts to ensure the calculation methods and the model (PAA) used were appropriate. • evaluating the competence, capabilities and objectivity of the internal or external experts used by management; • assessing the completeness, accuracy, and relevance of data; • 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; and • assessing the adequacy of the disclosures in the consolidated financial statements relating to this matter against the requirements of the relevant accounting standards.

Independent Auditors' Report to the Shareholders (Continued)

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.

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 Accounting Standards, 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.

Independent Auditors' Report to the Shareholders (Continued)

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.

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.

Independent Auditors' Report to the Shareholders (Continued)

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 and Commerce 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

KPMG Fakhro
Partner Registration Number 83
25 February 2024

Consolidated Statement of Financial Position

As at December 2023 *(In thousands of Bahraini Dinars)*

	Note	**31 December 2023**	31 December 2022 (restated)	1 January 2022 (restated)
ASSETS				
Cash and cash equivalents	7	5,872	5,806	4,947
Financial investments	8	73,905	69,746	59,556
Insurance contract assets	14	-	124	1,081
Reinsurance contract assets	14	10,933	16,240	13,489
Equity accounted investees	9b	11,570	11,090	19,825
Investment properties	11	2,092	2,235	2,397
Property and equipment	12	2,911	3,360	3,539
Other assets	13	3,736	2,885	2,496
Total assets		**111,019**	111,486	107,330
LIABILITIES				
Insurance contract liabilities	14	27,674	29,773	29,920
Reinsurance contract liabilities	14	3,906	6,355	4,933
Investment contract liabilities	15	1,737	1,487	1,553
Other provisions and liabilities	16	4,050	4,251	4,231
Total liabilities		**37,367**	41,866	40,637
Net assets		**73,652**	69,620	66,693
EQUITY				
Share capital	18b	11,918	11,918	11,918
Treasury shares	18c	-	-	(1,868)
Share premium	18g	3,990	3,990	3,990
Statutory reserve	19a	5,959	5,959	5,959
Other reserves	19b,19c	11,699	10,718	17,403
Retained earnings		36,484	33,512	25,585
Equity attributable to shareholders of the Parent company		**70,050**	66,097	62,987
Non-controlling interest	10	3,602	3,523	3,706
Total equity		**73,652**	69,620	66,693

The consolidated financial statements were approved by the Board of Directors on 25 February 2024 and signed on its behalf by:

Farooq Yusuf Almoayyed Chairman	**Abdulhussain Khalil Dawani** Vice Chairman	**Raed Abdulla Fakhri** Group Chief Executive

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

	Note	**2023**	2022 (restated)
Insurance revenue	21	45,054	45,450
Insurance service expenses	23	(24,969)	(31,879)
Net expenses from reinsurance contracts	14	(13,666)	(7,570)
Insurance service result		**6,419**	6,001
Interest income	22a	2,103	1,396
Other investment income	22b	1,136	256
Investment return		**3,239**	1,652
Net finance expenses from insurance contracts	14	(834)	(297)
Net finance income from reinsurance contracts	14	592	171
Net financial result		**2,997**	1,526
Share of profit of equity accounted investees	9b	1,416	1,143
Other income		707	618
Corporate expenses	23	(3,364)	(2,509)
Other expenses	12	(949)	(1,212)
Gain on reclassification of equity accounted investee to financial asset	9b	-	5,872
Profit for the year		**7,226**	11,439
Profit attributable to:			
Parent company		6,927	11,243
Non-controlling interest	10	299	196
		7,226	11,439
Basic and diluted earnings per share (per 100 fils)	18d, e	**58 fils**	94 fils

Farooq Yusuf Almoayyed
Chairman

Abdulhussain Khalil Dawani
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

	Note	2023	2022 (restated)
Profit for the year		**7,226**	11,439
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
- Equity investments at FVOCI – net change in fair value	8b	1,213	(7,267)
Items that are or may be reclassified subsequently to profit or loss:			
Equity-accounted investees			
Share of other comprehensive income	9b	38	(231)
Net amount reclassified to profit or loss	9b	-	(15)
Other comprehensive income		**1,251**	(7,513)
Total comprehensive income		**8,477**	3,926
Total comprehensive income attributable to:			
Parent company		8,124	3,934
Non-controlling interest		353	(8)
		8,477	3,926

Farooq Yusuf Almoayyed
Chairman

Abdulhussain Khalil Dawani
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

	Attributable to the shareholders of the Parent company									
					Other reserves					
2023	**Share capital**	**Treasury shares**	**Share premium**	**Statutory reserve**	**General reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2023	11,918	-	3,990	5,959	13,585	(2,867)	33,512	66,097	3,523	69,620
Profit for the year	-	-	-	-	-	-	6,927	6,927	299	7,226
Other comprehensive income for the year	-	-	-	-	-	1,197	-	1,197	54	1,251
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**1,197**	**6,927**	**8,124**	**353**	**8,477**
Transfer from fair value reserve on sale of equity investments	-	-	-	-	-	(216)	216	-	-	-
Dividends declared for 2022	-	-	-	-	-	-	(4,171)	(4,171)	(274)	(4,445)
Balance as at 31 December 2023	**11,918**	**-**	**3,990**	**5,959**	**13,585**	**(1,886)**	**36,484**	**70,050**	**3,602**	**73,652**

	Attributable to the shareholders of the Parent company									
					Other reserves					
2022 (restated)	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January, as previously reported	11,918	(1,868)	3,990	5,959	13,585	6,721	21,912	62,217	3,633	65,850
Adjustment on initial application of IFRS 17 (note 4(iv)	-	-	-	-	-	-	902	902	62	964
Adjustment on initial application of IFRS 9 (note 4(iv)	-	-	-	-	-	(2,903)	2,771	(132)	11	(121)
Restated balance at 1 January 2022	11,918	(1,868)	3,990	5,959	13,585	3,818	25,585	62,987	3,706	66,693
Profit for the year	-	-	-	-	-	-	11,243	11,243	196	11,439
Other comprehensive income for the year	-	-	-	-	-	(7,309)	-	(7,309)	(204)	(7,513)
Total comprehensive income for the year	-	-	-	-	-	(7,309)	11,243	3,934	(8)	3,926
Transfer from fair value reserve on sale of equity investments	-	-	-	-	-	583	(583)	-	-	-
Dividends declared for 2021	-	-	-	-	-	-	(3,378)	(3,378)	(175)	(3,553)
Transfer on reclassification of equity accounted investee	-	-	-	-	-	41	(41)	-	-	-
Treasury shares sold	-	1,868	-	-	-	-	686	2,554	-	2,554
Balance as at 31 December 2022	11,918	-	3,990	5,959	13,585	(2,867)	33,512	66,097	3,523	69,620

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

	Note	2023	2022
OPERATING ACTIVITIES			
Insurance operations			
Premiums and service fees received, net of acquisition costs		47,776	42,508
Payments to insurance and reinsurance companies		(23,391)	(23,356)
Claims paid to policyholders		(26,435)	(21,816)
Claims recovered from reinsurers and insurance companies		13,724	11,740
Cash flows from insurance operations		**11,674**	9,076
Investment operations			
Dividends and interest received		2,873	1,952
Proceeds from sale and redemptions of financial investments		15,755	15,298
Payments for purchases of financial investments		(9,042)	(25,495)
Bank deposits with maturities of more than three months		(23,897)	(12,977)
Redemption proceeds from bank deposits		14,534	20,492
Dividends received from equity accounted investees		974	550
Loans paid		-	(12)
Loans recovered from an associate		-	75
Payment for investment properties		-	(4)
Rent received		288	338
Cash flows from investment operations		**1,485**	217
Expenses paid		(8,391)	(7,077)
Cash flows from operating activities		**4,768**	2,216
INVESTMENT ACTIVITIES			
Purchase of equipment and intangible assets		(188)	(249)
Cash flows used in investment activities		**(188)**	(249)
FINANCING ACTIVITIES			
Dividends paid to shareholders		(4,171)	(3,379)
Dividends paid to non-controlling interest		(274)	(175)
Proceeds from sales of treasury shares		-	2,554
Payments of lease liabilities		(84)	(96)
Cash flows used in financing activities		**(4,529)**	(1,096)
Net change in cash and cash equivalents		**51**	871
Cash and cash equivalents at 1 January		5,833	4,962
Cash and cash equivalents at 31 December	7	**5,884**	5,833

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

1 REPORTING ENTITY

Bahrain National Holding B.S.C (the "Company") is registered in the Kingdom of Bahrain under commercial registration number 42210-1. 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 2023 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 at fair value through other comprehensive income, which are stated at fair value.

This is the first set of the Group's annual financial statements in which IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments have been applied. The related changes to accounting policies are described in note 4.

These consolidated financial statements were authorized for issue by the board of directors on 25 February 2024.

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 Accounting Standards 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 6.

c) New standards, amendments and interpretations effective from 1 January 2023

The following relevant new standards and amendments to the standards, which became effective as of 1 January 2023, had a material impact on the consolidated financial statements.

A. IFRS 17 and IFRS 9

The Group has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are disclosed in note 4.

B. Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

2 BASIS OF ACCOUNTING AND MEASUREMENT (continued)

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 5, Material accounting policies (2022: Significant accounting policies, estimates and judgements) in certain instances in line with the amendments.

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

A number of new accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Group are not expected to have a significant impact on the Group's consolidated financial statements.

1. Non-current Liabilities with Covenants – Amendments to IAS 1
2. Classification of liabilities as current or non-current (Amendments to IAS 1)
3. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

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 CHANGES IN MATERIAL ACCOUNTING POLICIES

The Group has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 5 to all periods presented in these consolidated financial statements.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of IFRS 17 and IFRS9 are summarized below.

A. IFRS 17 Insurance Contracts

i. Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin ("CSM").

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

4 CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Group no longer applies shadow accounting to insurance-related assets and liabilities.

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

The Group applies the premium allocation approach ("PAA") to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Group accounts for insurance and reinsurance contracts under IFRS 17, see note 5(ii).

ii. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a modified retrospective approach. Under the modified retrospective approach, at 1 January 2022 the Group:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied to the extent reasonable and supportable information are available without undue cost or effort;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied to the extent reasonable and supportable information are available without undue cost or effort. These included some deferred acquisition costs for insurance contracts and insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts; and recognised any resulting net difference in equity.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the consolidated statement of changes in equity.

Insurance and reinsurance contracts

For all risks, the Group applied the modified retrospective approach in IFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 (see note 5(ii)(i)), because it was impracticable to apply the full retrospective approach.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

4 CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

The Group considered the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Group's previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.
- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
  - assumptions about discount rates, because the Group had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis; and
  - assumptions about the risk adjustment for non-financial risk, because the Group had not been subject to any accounting or regulatory framework that required an explicit margin for nonfinancial risk.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Group has provided additional disclosures in note 14(A).

Assets for insurance acquisition cash flows

For all risk segments, the Group also applied the modified retrospective approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data was not available from the system with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Group would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

4 CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

B. IFRS 9 Financial Instruments

i. Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value though other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see note 5(iv)(b).

IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (see note 5(iv)(c).

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively as described below.

- The comparative period has been restated.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

As permitted by IFRS 7, the Group has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

The adoption of IFRS 9 has not had a material impact on the Group's basic or diluted EPS for the years ended 31 December 2023 and 2022.

Details of the changes and implications resulting from the adoption of IFRS 9 are presented in (iv).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

4 CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

iv. Effect of initial application

Classification of financial assets and financial liabilities

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities.

1 January 2023	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasurement	Reclassification	New carrying amount under IFRS 9
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	5,833	(27)	-	5,806
Placements with banks	Loans and receivables	Amortised cost	14,400	(141)	-	14,259
Interest and other receivables	Loans and receivables	Amortised cost	2,703	-	-	2,703
Financial investments						
Debt securities	Held-to-maturity	Amortised cost	2,365	(1)	-	2,364
Debt securities	Held-to-maturity	FVTPL	431	-	(9)	422
Debt securities	FVTPL	FVTPL	1,884	-	-	1,884
Debt securities	Available-for-sale	Amortised cost	21,329	(21)	389	21,697
Debt securities	Available-for-sale	FVTPL	1,925	-	-	1,925
Equity securities and managed funds	Available-for-sale	FVOCI	19,532	-	-	19,532
Equity securities and managed funds	FVTPL	FVTPL	7,663	-	-	7,663
Total financial assets			**78,065**	**(190)**	**380**	**78,255**
Financial liabilities						
Other payables	Amortised cost	Amortised cost	5,158	-	-	5,158
Total financial liabilities			**5,158**	**-**	**-**	**5,158**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

4 CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

1 January 2022	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasurement	Reclassification	New carrying amount under IFRS 9
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortised cost	4,962	(15)	-	4,947
Placements with banks	Loans and receivables	Amortised cost	21,919	(174)	-	21,745
Interest and other receivables	Loans and receivables	Amortised cost	2,017	-		2,017
Financial investments						
Debt securities	Held-to-maturity	Amortised cost	3,133	-	-	3,133
Debt securities	Held-to-maturity	FVTPL	640	-	30	670
Debt securities	FVTPL	FVTPL	680	-	-	680
Debt securities	Available-for-sale	Amortised cost	5,364	(30)	74	5,408
Debt securities	Available-for-sale	FVTPL	1,897	-	-	1,897
Equity securities and managed funds	Available-for-sale	FVTPL	10,352	-	-	10,352
Equity securities and managed funds	Available-for-sale	FVOCI	14,379	-	-	14,379
Equity securities and managed funds	FVTPL	FVTPL	1,297	-	-	1,297
Total financial assets			66,640	(219)	104	66,525
Financial liabilities						
Other payables	Amortised cost	Amortised cost	5,784	-	-	5,784
Total financial liabilities			5,784	-	-	5,784

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 5(iv)(b). The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Under IAS 39, investments in equity securities that were not designated as at FVTPL were classified as available-for-sale financial assets. Under IFRS 9, these assets are mandatorily measured at FVTPL because they do not give rise to cash flows that are solely payments of principal and interest (SPPI), unless the Group has elected to measure them at FVOCI (see (b)).

b. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group designated these investments at 1 January 2023 as measured at FVOCI. Unlike under IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

4 CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The following table reconciles the closing impairment allowance under IAS 39 as at 31 December 2022 with the opening loss allowance under IFRS 9.

1 January 2023	**31 December 2022 IAS 39**	**Remeasurement**	**1 January 2023 IFRS 9**
Financial assets at amortised cost under IFRS 9			
From available-for-sale under IAS 39	-	(21)	(21)
From held-to-maturity under IAS 39	-	(1)	(1)
Cash and cash equivalents	-	(27)	(27)
Placements with banks	-	(141)	(141)
	-	**(190)**	**(190)**

1 January 2022	31 December 2021 IAS 39	Remeasurement	1 January 2022 IFRS 9
Financial assets at amortised cost under IFRS 9			
From available-for-sale under IAS 39	-	(30)	(30)
Cash and cash equivalents	-	(15)	(15)
Placements with banks	-	(174)	(174)
	-	(219)	(219)

The impact of transition to IFRS 9 and IFRS 17 on reserves, retained earnings and non-controlling interest is as follows:

Fair value reserve	
Balance as at 31 December 2021, as previously reported under IAS 39	**6,721**
Reclassification of debt instruments from AFS to amortised cost	(128)
Reclassification of debt instruments from AFS to FVTPL	(21)
Reclassification of managed funds from AFS to FVTPL	(2,754)
Restated balance at 1 January 2022, under IFRS 9	**3,818**

Retained earnings	
Balance as at 31 December 2021, as previously reported under IAS 39 and IFRS 4	21,912
Impact of initial application of IFRS 17	902
Reclassification of debt instruments from AFS to amortised cost	128
Reclassification of debt instruments from AFS to FVTPL	21
Reclassification of managed funds from AFS to FVTPL	2,754
Recognition of IFRS 9 ECLs for debt instruments measured at amortised cost and at FVOCI	(132)
Restated balance at 1 January 2022, under IFRS 9 and IFRS 17	**25,585**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

4 CHANGES IN MATERIAL ACCOUNTING POLICIES (continued)

Non-controlling interest	
Balance as at 31 December 2021, as previously reported under IAS 39 and IFRS 4	3,633
Impact of initial application of IFRS 17	62
Recognition of IFRS 9 ECLs for debt instruments measured at amortised cost and at FVOCI	11
Restated balance at 1 January 2022, under IFRS 9 and IFRS 17	**3,706**

Total change in equity due to the application of new standards:	
Fair value reserve	(2,903)
Retained earnings	2,771
Non-controlling interest	11
Total change in equity due to the application of IFRS 9	**(121)**
Retained earnings	902
Non-controlling interest	62
Total change in equity due to the application of IFRS 17	**964**

5 MATERIAL ACCOUNTING POLICIES

i) Insurance, reinsurance and investment contracts – Classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Group to financial risk.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to ‘insurance contracts’ and ‘reinsurance contracts’ include contracts issued, initiated or acquired by the Group, unless otherwise stated.

Some contracts entered into by the Group have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as ‘investment contracts’ (see (iii)).

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured under the PAA (see (ii)(f)).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

ii) Insurance and reinsurance contracts

a) Separating components from insurance and reinsurance contracts

At inception, the Group separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments (see (iv)):

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Group separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

b) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Group concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Group's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date.

- Reinsurance contracts initiated by the Group that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised. This applies to the Group's quota share reinsurance contracts.
- Other reinsurance contracts initiated by the Group: The beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Group's excess of loss and stop loss reinsurance contracts.
- Reinsurance contracts acquired: The date of acquisition.

c) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. nonrefundable commissions paid on issuance of a contract), then they are allocated to that group and to the groups that will include renewals of those contracts. The allocation to renewals only applies to non-life contracts and certain term assurance and critical illness contracts that have a one-year coverage period. The Group expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Group expects to recover those cash flows.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Group acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Group:

a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Group reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

d) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when: • the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or • the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date. The reassessment of risks considers only risks transferred from policyholders to the Group, which may include both insurance and financial risks, but exclude lapse and expense risks.
Reinsurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer: • has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or • has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

e) Measurement – Contracts not measured under the PAA

Insurance contracts – Initial measurement

On initial recognition, the Group measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (c)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Insurance contracts – Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

The CSM of each group of contracts is calculated at each reporting date as follows.

Insurance contracts without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;
- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Direct participating contracts

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Group adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the amount of the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - the Group has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

Reinsurance contracts

To measure a group of reinsurance contracts, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Group recognises the cost immediately in profit or loss as an expense.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

Reinsurance of onerous underlying insurance contracts

The Group adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

For reinsurance contracts acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss component that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Group expects at the date of acquisition to recover from the reinsurance contracts.

For reinsurance contracts acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Group uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

f) Measurement – Contracts measured under the PAA

In the non-life and short-term life assurance segments, the Group uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception.

- Insurance contracts: The coverage period of each contract in the group is one year or less. Some of these contracts provide compensation for the cost of rebuilding or repairing a property after a fire; for these contracts, the Group determines the insured event to be the occurrence of a fire and the coverage period to be the period in which a fire can occur for which a policyholder can make a valid claim.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Group reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies in (e). When comparing the different possible measurements, the Group considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

However, certain groups of insurance contracts are acquired in their claims settlement period. The claims from some of these groups are expected to develop over more than one year. The Group measures these groups under the accounting policies in (e).

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (c). The Group has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

The Group applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

g) Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

h) *Presentation*

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under (c) are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the statement of profit or loss into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Insurance revenue – Contracts not measured under the PAA

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below).
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses for the participating segment.

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, life savings contracts may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Group expects to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period based on the passage of time.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Loss components

For contracts not measured under the PAA, the Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for nonfinancial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Changes in fulfilment cash flows relating to future services and changes in the amount of the Group's share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses: For some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

For a group of reinsurance contracts covering onerous underlying contracts, the Group establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

There is an option to disaggregate part of the movement of liability for incurred claims resulting from changes in discount rate and present this in OCI. The Group elected to present insurance finance income or expenses in profit or loss for all groups of insurance contracts.

i) Transition

At 1 January 2022, the Group applied the modified retrospective approach to identify and measure certain groups of contracts on transition to IFRS 17.

Insurance and reinsurance contracts – Modified retrospective approach

The objective of the modified retrospective approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Group applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 retrospectively.

Assessments at inception or on initial recognition

The Group applied the following modifications to certain groups of contracts.

- For groups of contracts issued, initiated or acquired in 2019 and prior, the future cash flows on initial recognition were estimated by adjusting the amount at 1 January 2020 or an earlier date (determined using the modified retrospective approach) for the cash flows that were known to have occurred before that date. The earliest date on which future cash flows could be determined retrospectively for any group of contracts was 1 January 2012.
- For groups of contracts issued, initiated or acquired between 2004 and 2011 (except for some groups of immediate fixed annuity contracts issued before 2007; see above), the illiquidity premiums applied to the risk-free yield curves on initial recognition were estimated by determining an average spread between the risk-free yield curves and the discount rates determined retrospectively for the period between 1 January 2012 and 1 January 2022.
- For some groups of contracts, the risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at 1 January 2022 for the expected release of risk before 1 January 2022. The expected release of risk was determined with reference to the release of risk for similar contracts that the Group issued at 1 January 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

When any of these modifications was used to determine the CSM (or the loss component) on initial recognition:

- the amount of the CSM recognised in profit or loss before 1 January 2022 was determined by comparing the coverage units on initial recognition and the remaining coverage units at 1 January 2022; and
- the amount allocated to the loss component before 1 January 2022 was determined using the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk on initial recognition.

For all life savings contracts measured under the modified retrospective approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be zero.

Reinsurance of onerous underlying contracts

For groups of reinsurance contracts covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Group established a loss-recovery component at 1 January 2022. For some groups of contracts measured under the modified retrospective approach, the Group determined the loss-recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Group expected to recover from the reinsurance contracts.

For reinsurance contracts initiated or acquired between 2019 and prior, the Group did not identify a loss-recovery component because it did not have reasonable and supportable information to do so.

Insurance acquisition cash flows – Modified retrospective approach

Under the modified retrospective approach, the Group identified any insurance acquisition cash flows arising before 1 January 2022 that did not relate to contracts that had ceased to exist before that date. These cash flows are allocated, using the same systematic and rational methods as described in (c), to:

- groups of contracts recognised at 1 January 2022 (which adjusted the CSM of those groups); and
- groups of contracts expected to be recognised after 1 January 2022 (which were recognised as assets for insurance acquisition cash flows).

In some cases, the Group did not have reasonable and supportable information to identify the relevant insurance acquisition cash flows. The adjustments to the CSM of groups of contracts recognised at 1 January 2022 and the assets for insurance acquisition cash flows for expected future groups were determined to be zero.

iii) Investment contracts

Investment contracts comprise investment-linked contracts that do not transfer significant insurance risk. Such contracts are separated into two components: a financial liability (investment contract) and an investment management service contract. Recurring fees are conditional on the provision of investment management services and are attributed to the investment management service contract component. If an amount received from a customer exceeds the fair value of the investment contract issued, then the excess is attributed to the investment services component as an up-front fee. Group entities also charge recurring fees for investment management services to a number of collective investment schemes. Interests in consolidated funds held by unrelated third parties are classified as financial liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

a. Financial liabilities

The Group recognises a financial liability, representing its contractual obligation to pass on the return on the underlying investments after the deduction of investment management fees, when the Group becomes a party to the contractual provisions. It derecognises the financial liability when the obligations specified in the contract expire or are discharged or cancelled. Amounts collected and paid that are attributable to the financial instrument component are adjusted against the financial liability.

Financial liabilities arising from investment contracts are designated as at FVTPL on initial recognition. This is because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis. The fair value is the amount payable on demand because the holders can cancel their contracts at any time after contract inception.

b. Investment management service contracts

Recurring fees are calculated and recognised as revenue on a daily basis. Non-refundable up-front fees give rise to material rights for future investment management services and are recognised as revenue over the period for which a customer is expected to continue receiving investment management services.

Commissions and fees paid to brokers for securing new customers are generally recognised as assets, unless the Group does not expect to recover these costs. Contract costs are amortised over the estimated duration of the contracts on a straight-line basis and are reviewed for impairment regularly.

iv) Financial assets and financial liabilities

a. Recognition and initial measurement

The Group recognises deposits with financial institution on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

b. Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

The Group elects to present changes in the fair value of certain equity investments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has designated certain debt investments in the participating and non-life segments as at FVTPL on initial recognition, because they relate to insurance contracts that are measured in a way that incorporates current information and all related insurance finance income and expenses are recognised in profit or loss. The assets would otherwise be measured at FVOCI.

Business model assessment

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

For a majority of debt investments, the objective of the Group's business model is to fund insurance contract liabilities. The Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Group determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Certain debt securities are held in separate portfolios for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Portfolios of financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and portfolios of financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark interest rate plus a fixed spread. The Group has determined that these prepayment features are consistent with the SPPI criterion. Because the Group would be compensated only for the change in the market benchmark interest rate and for lost interest margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Subsequent measurement and gains and losses

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.
Debt investments at FVOCI	Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	Measured at fair value. Dividends are recognised as income in profit or loss when the Group's right to receive payment is established, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.
Financial assets at amortised cost	Measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees, into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
  - held-for-trading;
  - derivative hedging instruments; or
  - designated as at FVTPL; and
- financial liabilities at amortised cost.

The Group has designated investment contract liabilities as at FVTPL on initial recognition. This is because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis.

All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralised. The Group has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Subsequent measurement and gains and losses

Financial liabilities at FVTPL	Measured at fair value. Net gains and losses, including any interest expenses and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges
Financial liabilities at amortised cost	Measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Interest on financial instruments

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is its amortised cost before adjusting for any loss allowance.

Financial assets not credit-impaired on initial recognition	If the financial asset is not credit-impaired, then interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the asset, but not ECL.
	If the financial asset has become credit-impaired subsequent to initial recognition, then interest income is calculated by applying the effective interest rate to the amortised cost of the asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For information on when financial assets are credit-impaired, see (c).
Financial assets credit-impaired on initial recognition	Interest income is calculated by applying a credit adjusted effective interest rate to the amortised cost of the asset. The credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.
Financial liabilities	Interest expenses are calculated by applying the effective interest rate to the amortised cost of the liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Interest revenue calculated using the effective interest method and other finance costs presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost and debt investments measured at FVOCI.

Derivatives, including embedded derivatives

Derivatives, including embedded derivatives separated from their host contracts, are classified as held-for-trading, unless they form part of a qualifying net investment hedging relationship. They are measured at fair value with changes in fair value recognised in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). When the host contract is a financial asset in the scope of IFRS 9, the hybrid financial instrument as a whole is assessed for classification and the embedded derivative is not separated from the host contract.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

For other contracts, the Group accounts for an embedded derivative separately from the host contract when:

- the hybrid contract is not measured at FVTPL;
- the terms of the embedded derivative would have met the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. In particular, an embedded derivative is closely related to a host insurance contract if they are so interdependent that the embedded derivative cannot be measured separately – i.e. without considering the host contract.

c. Impairment

The Group recognises loss allowances for ECL on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- lease receivables.

The Group measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost, debt investments at FVOCI and lease receivables are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Group expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

d. Derecognition and contract modification

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. For debt investments at FVOCI and financial assets that had already been derecognised at 1 January 2023, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The cumulative gain or loss on equity investments designated as at FVOCI is not reclassified to profit or loss.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows.

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the new asset.
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the debtor is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual cash flows rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

If a financial asset measured at amortised cost or FVOCI is modified but not substantially, then the financial asset is not derecognised. If the asset had not been derecognised at 1 January 2023, then the Group recalculates the gross carrying amount of the financial asset by discounting the modified contractual cash flows at the original effective interest rate and recognises the resulting adjustment to the gross carrying amount as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. If such a modification is carried out because of financial difficulties of the borrower (see (c)), then the gain or loss is presented together with impairment losses; in other cases, it is presented as interest revenue. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notwithstanding the above, when, and only when, the Group repurchases its financial liability and includes it as an underlying item of direct participating contracts, the Group may elect not to derecognise the financial liability. Instead, the Group may elect to continue to account for that instrument as a financial liability and to account for the repurchased instrument as if it were a financial asset and measure it at FVTPL. This election is irrevocable and is made on an instrument by- instrument basis.

If a financial liability measured at amortised cost is modified but not substantially, then it is not derecognised.

- For financial liabilities that had not been derecognised at 1 January 2023, the Group recalculates the amortised cost of the financial liability by discounting the modified contractual cash flows at the original effective interest rate and recognises any resulting adjustment to the amortised cost as a modification gain or loss in 'other finance costs' in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred adjust the carrying amount of the modified financial liability and are amortised over the remaining term of the modified financial liability.
- For financial liabilities that had been derecognised at 1 January 2023, the Group recognised any difference in present value as an adjustment to the effective interest rate and amortised it over the remaining life of the modified financial liability, with no immediate gain or loss recognised.

e. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is required or permitted by a standard – e.g. gains and losses arising from a group of similar transactions such as the gains and losses on financial assets measured at FVTPL.

v) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

vi) 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.

vii) 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 splits them between investment properties and properties for the Group's own use. The part under the Group's own 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

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.

viii) 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.

ix) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

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 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

x) Impairment of 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.

xi) 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.

xii) 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.

xiii) Dividends

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

xiv) Directors' remunerations

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

5 MATERIAL ACCOUNTING POLICIES (continued)

xv) 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.

xvi) 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 FVTPL are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items classified as FVOCI 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.

6 USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

6 USE OF JUDGEMENTS AND ESTIMATES (continued)

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

i) Notes 25(c)(i) and 5(iv)(c) – impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;

ii) Note 5(iv)(b) – classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are SPPI on the principal amount outstanding;

iii) Note 9(b) – equity accounted investees: whether the Group has significant influence over an investee;

iv) Notes 14, 15 and 5(i) – classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features;

v) Notes 14 and 5(ii)(b) – level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;

vi) Notes 14(E) and 5(ii)(e) – measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract;

vii) Note 3(b) – consolidation: determining whether the Group controls an investee; and

viii) Notes 4(A)(ii) and 5(i) – transition to IFRS 17: determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach.

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

i) Notes 5(iv)(c) and 25(c)(i) – impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;

ii) Notes 11 and 29 – measurement of the fair value of financial instruments and investment properties with significant unobservable inputs;

Information about assumptions made in measuring insurance and reinsurance contracts is included in Note 14(E). Changes in the following key assumptions may change the fulfilment cash flows materially during 2024. However, these changes would adjust the CSM and would not affect the carrying amounts of the contracts, unless they arise from onerous contracts or do not relate to future services:

- long-term life contracts: assumptions about future cash flows relating to mortality, morbidity, policyholder behaviour, participation percentages and crediting rates;
- non-life contracts: assumptions about claims development; and
- all contracts: assumptions about discount rates, including any illiquidity premiums.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

7 CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Cash and bank accounts*	5,884	4,331	4,962
Fixed deposits with maturities of three months or less	-	1,008	-
Treasury bills with maturities of three months or less	-	494	-
	5,884	5,833	4,962
Loss allowance	(12)	(27)	(15)
	5,872	5,806	4,947

* This includes an amount of BD 78 thousand which is not available for day to day operation (2022: BD 29 thousand).

Information about the Group's exposure to interest rate and credit risks are included in note 25.

8 FINANCIAL INVESTMENTS

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
FVTPL	9,480	11,894	14,897
FVOCI	21,405	19,532	14,379
Debt securities at amortized cost	19,361	24,061	8,541
Placements with banks, with maturities of more than three months	23,659	14,259	21,739
	73,905	69,746	59,556

a) FVTPL

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Listed securities:			
- Equity securities	116	127	1,445
- Government debt securities	597	630	600
- Treasury bills	-	622	-
- Corporate debt securities	3,421	2,979	2,646
- Managed funds	3,199	4,376	6,977
Unlisted funds	2,147	3,160	3,229
	9,480	11,894	14,897

Movement during the year:	2023	2022 (restated)
Opening balance	11,894	14,897
Purchases	740	3,342
Sales	(3,581)	(6,355)
Fair value movement	427	10
	9,480	11,894

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

8 FINANCIAL INVESTMENTS (continued)

b) FVOCI

The Group has designated the following equity investments as at FVOCI because it intends to hold them for the long term.

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Equity securities	21,405	19,532	14,379
	21,405	19,532	14,379

Movement during the year:	**2023**	2022 (restated)
Opening balance	19,532	14,379
Purchases	1,268	3,328
Disposals	(608)	(5,938)
Reclassified from equity accounted investee	-	15,030
Fair value movement	1,213	(7,267)
	21,405	19,532

The Group has sold equity securities held at FVOCI in line with the Group's investment strategy. Dividend income recognized from investments measured at FVOCI amounted to BD 619 thousand (2022: BD 532 thousand).

FVOCI investments by industry	**31 December 2023**	31 December 2022 (restated)
Communication services	2,239	2,327
Consumer discretionary	1,027	1,127
Consumer staples	38	62
Energy	856	113
Financials	12,959	11,195
Industrials	1,596	1,682
Information technology	186	130
Materials	1,426	1,445
Real estate	452	510
Utilities	253	233
Unquoted investments	373	708
	21,405	19,532

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

8 FINANCIAL INVESTMENTS (continued)

c) Debt securities at amortized cost

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Government debt securities	9,611	16,555	4,690
Corporate debt securities	9,760	7,528	3,881
	19,371	24,083	8,571
Loss allowance	(10)	(22)	(30)
	19,361	24,061	8,541

Movement during the year:	**31 December 2023**	31 December 2022 (restated)
Opening balance	24,061	8,541
Purchases	7,015	18,816
Matured securities	(11,814)	(2,909)
Accretion of discount / (amortization of premium)	87	(395)
Loss allowance	12	8
	19,361	24,061

d) Placements with banks

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Placements with banks, with maturities of more than three months	23,761	14,400	21,913
Loss allowance	(102)	(141)	(174)
	23,659	14,259	21,739

e) 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:

	2023	2022
Cash equivalents	28	57
Placements with banks	1,310	738
Financial investments	2,263	3,014
	3,601	3,809

Information about the Group's exposure to credit and market risk, maturity profile, geographical concentration and fair value measurement, is included in notes 25, 26, 27, and 29, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

9 EQUITY ACCOUNTED INVESTEES

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 2023	2022	Nature of relationship	Principal activities
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
Health 360 Ancillary Services W.L.L.	Kingdom of Bahrain	22.2%	22.2%	Associate	Processing insurance claims as a third party administrator
Al Bayrooni Dialysis B.S.C. (c)	Kingdom of Bahrain	24%	24%	Associate	Provider of dialysis and related services

b) The movement in the investment in associates is as follows:

2023	National Finance House	Al Kindi Specialised Hospital	United Insurance Company	Health 360 Ancillary Services	AlBayrooni Dialysis	Total
Opening balance	5,919	1,932	3,022	217	-	**11,090**
Share of profit	230	119	1,023	44	-	**1,416**
Dividends received	(210)	(44)	(700)	(20)	-	**(974)**
Share of other comprehensive income	-	146	(108)	-	-	**38**
	5,939	**2,153**	**3,237**	**241**	**-**	**11,570**

2022	ASCIC *	National Finance House	Al Kindi Specialised Hospital	United Insurance Company	Health 360 Ancillary Services	AlBayrooni Dialysis	Total
Opening balance	9,243	5,646	1,921	2,747	191	77	19,825
Investments	-	-	-	-	18	-	18
Loan converted to equity shares	-	-	-	-	-	58	58
Share of (loss) / profit	(4)	483	64	715	20	(135)	1,143
Dividends received	-	(210)	(53)	(275)	(12)	-	(550)
Share of other comprehensive income	(66)	-	-	(165)	-	-	(231)
Reclassified to FVOCI investment	(9,173)	-	-	-	-	-	(9,173)
	-	5,919	1,932	3,022	217	-	11,090

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

9 EQUITY ACCOUNTED INVESTEES (continued)

* On 12th January 2022, ASCIC announced the effectiveness of the resolution to merge with 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).

As a result, the investment in ASCIC has been reassessed for existence of "significant influence" in line with the Group's accounting policies. Although the Group continues as the largest single shareholder, has representation in ASCIC's board of directors and provides technical support, the "significant influence" has ceased considering the diluted shareholding has fallen significantly to 9.4%. Therefore, the investment in ASCIC has been reclassified as FVOCI, effective 12 January 2022.

Based on above and in accordance with the relevant accounting standards, a gain on derecognition of equity accounted investee of BD 5,872 thousand, representing: (i) the difference between ASCIC's carrying value of BD 9,173 thousand and the fair value of BD 15,030 thousand as of 12 January 2022 and (ii) the release of BD 15 thousand from other comprehensive income has been reported through the consolidated statement of profit or loss for the year ended 31 December 2022. Furthermore, other reserves of BD 41 thousand have been recycled from investment fair value reserve to retained earnings in the consolidated statement of changes in equity.

c) Latest available financial information of the material associates of the Group are as follows:

2023	**National Finance House**	**United Insurance Company**	**Al Kindi Specialised Hospital**
Total assets	50,250	32,016	11,203
Total liabilities	33,246	15,833	3,453
Net assets	17,004	16,183	7,750
Group's share of net assets	**5,939**	**3,237**	**2,153**
Revenue	2,785	10,459	8,709
Profit	646	4,621	439
Other comprehensive income	-	(827)	-
Total comprehensive income	646	3,794	439
Group's share in total comprehensive income	**230**	**915**	**119**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

9 EQUITY ACCOUNTED INVESTEES (continued)

2022	National Finance House	United Insurance Company	Al Kindi Specialised Hospital
Total assets	52,972	29,021	11,277
Total liabilities	36,027	13,916	3,801
Net assets	16,945	15,105	7,476
Group's share of net assets	5,919	3,022	1,932
Revenue	3,518	8,914	7,759
Profit	1,329	3,576	237
Other comprehensive income	-	(827)	-
Total comprehensive income	1,329	2,749	237
Group's share in total comprehensive income	483	550	64

d) Reporting dates of financial information of associates

For the equity accounted investees existing as of 31 December 2023, the information is taken from the financial information for the year ended 31 December 2023 and 2022.

10 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
			2023	2022	**2023**	2022	
Bahrain National Insurance BSC (c)	Bahrain	30 December 1998	100%	100%	**-**	-	Transact various types of general insurance business.
Bahrain National Life Assurance BSC (c)	Bahrain	4 October 2000	75%	75%	**25%**	25%	Transact the business of life assurance, medical insurance, retirement planning and savings.
iAssist Middle East WLL	Bahrain	14 January 2010	100%	100%	**-**	-	Transact the business of automobile smash repairs, roadside assistance and automobile services.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

10 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)	**2023**	2022 (restated)
Cash and cash equivalents	2,013	1,224
Financial investments	19,813	18,022
Reinsurance contract assets	3,536	2,682
Property and equipment	129	142
Other assets	1,288	696
Insurance contract liabilities	9,064	6,116
Reinsurance contract liabilities	937	389
Investment contract liabilities	1,737	1,487
Other provisions and liabilities	618	669
Net assets (100%)	**14,423**	14,105
Net assets attributable to NCI	**3,602**	3,523
Insurance revenue	16,961	14,721
Insurance service expenses	(16,441)	(13,644)
Net expenses from reinsurance contracts	(63)	(964)
Investment return	857	685
Net finance expenses from insurance contracts	(120)	(8)
Net finance income from reinsurance contracts	118	76
Other income	147	151
Other expenses	(263)	(233)
Net profit	**1,196**	784
Other comprehensive income	217	(817)
Total comprehensive income	**1,413**	(33)
NCI's share of profit (25%)	**299**	196
NCI's share of total comprehensive income (25%)	**353**	(8)
Cash flows from operating activities	2,745	500
Cash flows (used in) / from investing activities	(841)	71
Cash flows used in financing activities, before dividends to NCI	(841)	(545)
Cash flows used in financing activities, cash dividends to NCI	(274)	(175)
Net change in cash and cash equivalents	**789**	(149)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

11 INVESTMENT PROPERTIES

2023	**BNH Tower in Seef**	**BNH Building in Sanad**	**Total**
Cost			
At 1 January	2,927	1,929	**4,856**
Additions	-	-	**-**
At 31 December	**2,927**	**1,929**	**4,856**
Accumulated depreciation			
At 1 January	1,848	773	**2,621**
Depreciation	92	51	**143**
At 31 December	**1,940**	**824**	**2,764**
Net book value at 31 December	**987**	**1,105**	**2,092**
Fair value at 31 December*	**2,222**	**2,145**	**4,367**

2022	BNH Tower in Seef	BNH Building in Sanad	Total
Cost			
At 1 January	2,922	1,929	4,851
Additions	5	-	5
At 31 December	2,927	1,929	4,856
Accumulated depreciation			
At 1 January	1,756	698	2,454
Depreciation	92	75	167
At 31 December	1,848	773	2,621
Net book value at 31 December	1,079	1,156	2,235
Fair value at 31 December*	2,390	2,453	4,843

* The fair value was determined by external, independent property valuators, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

12 PROPERTY AND EQUIPMENT

2023	**Right-of-use assets**	**Lands and buildings**	**Machinery**	**Furniture & equipment**	**Total**
Cost					
At 1 January	685	4,865	789	1,912	8,251
Additions	-	-	-	100	100
Disposals	-	-	-	(36)	(36)
At 31 December	**685**	**4,865**	**789**	**1,976**	**8,315**
Accumulated depreciation					
At 1 January	263	2,107	754	1,767	4,891
Depreciation	66	128	4	82	280
Impairment	-	269	-	-	269
Disposals	-	-	-	(36)	(36)
At 31 December	**329**	**2,504**	**758**	**1,813**	**5,404**
Net book value at 31 December	**356**	**2,361**	**31**	**163**	**2,911**

2022	Right-of-use assets	Lands and buildings	Machinery	Furniture & equipment	Total
Cost					
At 1 January	659	4,865	775	1,825	8,124
Additions	26	-	14	87	127
At 31 December	685	4,865	789	1,912	8,251
Accumulated depreciation					
At 1 January	197	1,979	746	1,663	4,585
Depreciation	66	128	8	104	306
At 31 December	263	2,107	754	1,767	4,891
Net book value at 31 December	422	2,758	35	145	3,360

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

13 OTHER ASSETS

	2023	2022
Accrued income	1,535	1,269
Intangible assets (a)	337	445
Statutory deposits (b)	136	133
Recoverable deposits	205	199
Receivables from investment brokers	468	14
Lease receivables	75	134
Loss allowance on lease receivables	(71)	(71)
Write-off of lease receivables	-	(59)
Prepayments and advances	111	154
VAT recoverable	162	83
Miscellaneous	932	733
Loss allowance on other assets	(154)	(149)
	3,736	2,885

a. Intangible assets

2023	**Goodwill**	**Software**	**Development cost**	**Total**
Cost				
At 1 January	74	1,998	124	2,196
Additions	-	41	39	80
Disposals	-	-	(43)	(43)
At 31 December	**74**	**2,039**	**120**	**2,233**
Accumulated amortization				
At 1 January	-	1,751	-	1,751
Amortisation	-	71	-	71
Impairment	74	-	-	74
At 31 December	**74**	**1,822**	**-**	**1,896**
Net book value at 31 December	**-**	**217**	**120**	**337**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

13 OTHER ASSETS (continued)

2022	Goodwill	Software	Development cost	Total
Cost				
At 1 January	74	1,898	65	2,037
Additions	-	80	79	159
Disposals	-	20	(20)	-
At 31 December	74	1,998	124	2,196
Accumulated amortization				
At 1 January	-	1,689	-	1,689
Amortisation	-	62	-	62
At 31 December	-	1,751	-	1,751
Net book value at 31 December	74	247	124	445

b. 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:

	2023	2022
Deposit	133	131
Interest for the year	3	2
	136	133

Information about the Group's exposure to credit and market risks is included in note 25.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS

The table below sets out the carrying amounts of insurance and reinsurance contract assets and liabilities at the end of the reporting period:

	31 December 2023		31 December 2022		1 January 2022	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Insurance contracts issued						
Motor	-	8,811	-	10,148	-	10,483
Property and general	-	9,799	124	13,509	1,081	12,849
Medical	-	5,225	-	3,215	-	3,416
Life assurance	-	3,839	-	2,901	-	3,172
	-	**27,674**	124	29,773	1,081	29,920
Reinsurance contracts held						
Motor	152	5	-	-	1,237	1,104
Property and general	7,245	2,964	13,558	5,966	8,997	3,650
Medical	2,491	832	1,572	306	1,668	-
Life assurance	1,045	105	1,110	83	1,587	179
	10,933	**3,906**	16,240	6,355	13,489	4,933

A. Movement in insurance and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the period as a result of cash flows and amounts recognised in the consolidated statement of profit or loss.

The Group presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of profit or loss.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

I. Motor

a. Insurance contracts

Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
31 December 2023	**Excluding loss component**	**Loss component**	**Contracts not under PAA**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets, 1 January 2023	-	-	-	-	-	-
Opening liabilities, 1 January 2023	4,763	-	-	5,128	257	10,148
Net opening balance, 1 January 2023	**4,763**	**-**	**-**	**5,128**	**257**	**10,148**
Changes in the statement of profit or loss and OCI						
Insurance revenue	**(11,384)**	**-**	**-**	**-**	**-**	**(11,384)**
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	-	9,649	-	9,649
Amortisation of insurance acquisition cash flows	405	-	-	-	-	405
Adjustments to liabilities for incurred claims	-	-	-	(2,168)	(142)	(2,310)
	405		**-**	**7,481**	**(142)**	**7,744**
Net finance expenses / (income) from insurance contracts	-	-	-	222	(1)	221
Total changes in the statement of profit or loss and OCI	**(10,979)**		**-**	**7,703**	**(143)**	**(3,419)**
Cash flows						
Premiums received	12,216	-	-	-	-	12,216
Claims and other insurance service expenses paid	-	-	-	(9,649)	-	(9,649)
Insurance acquisition cash flows	(485)	-	-	-	-	(485)
Total cash flows	**11,731**	**-**	**-**	**(9,649)**	**-**	**2,082**
Net closing balance, 31 December 2023	**5,515**	**-**	**-**	**3,182**	**114**	**8,811**
Closing assets, 31 December 2023	-	-	-	-	-	-
Closing liabilities, 31 December 2023	5,515	-	-	3,182	114	8,811
Net closing balance, 31 December 2023	**5,515**	**-**	**-**	**3,182**	**114**	**8,811**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

31 December 2022	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for incurred claims: Contracts not under PAA	Liabilities for incurred claims: Contracts under PAA: Estimate of present value of future cash flows	Liabilities for incurred claims: Contracts under PAA: Risk adjustment for non-financial risk	Total
Opening assets, 1 January 2022	-	-	-	-	-	-
Opening liabilities, 1 January 2022	4,492	-	-	5,947	44	10,483
Net opening balance, 1 January 2022	4,492	-	-	5,947	44	10,483
Changes in the statement of profit or loss and OCI						
Insurance revenue	(11,324)	-	-	-	-	(11,324)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	-	6,462	-	6,462
Amortisation of insurance acquisition cash flows	386	-	-	-	-	386
Adjustments to liabilities for incurred claims	-	-	-	(1,002)	214	(788)
	386	-	-	5,460	214	6,060
Net finance expenses / (income) from insurance contracts	-	-	-	182	(1)	181
Total changes in the statement of profit or loss and OCI	(10,938)	-	-	5,642	213	(5,083)
Cash flows						
Premiums received	11,602	-	-	-	-	11,602
Claims and other insurance service expenses paid	-	-	-	(6,461)	-	(6,461)
Insurance acquisition cash flows	(393)	-	-	-	-	(393)
Total cash flows	11,209	-	-	(6,461)	-	4,748
Net closing balance, 31 December 2022	4,763	-	-	5,128	257	10,148
Closing assets, 31 December 2022	-	-	-	-	-	-
Closing liabilities, 31 December 2022	4,763	-	-	5,128	257	10,148
Net closing balance, 31 December 2022	4,763	-	-	5,128	257	10,148

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

b. Reinsurance contracts

Analysis by remaining coverage and incurred claims

	31 December 2023				31 December 2022			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss component	**Loss component**	**Assets for incurred claims**	**Total**	Excluding loss component	Loss component	Assets for incurred claims	Total
Opening assets	-	-	-	-	(1)	-	1,238	1,237
Opening liabilities	-	-	-	-	(2)	-	(1,102)	(1,104)
Net opening balance	**-**	**-**	**-**	**-**	(3)	-	136	133
Allocation of reinsurance premiums paid	**(33)**	**-**	**-**	**(33)**	-	-	-	-
Amounts recoverable from reinsurers								
Recoveries of incurred claims and other insurance service Expenses	3	-	-	3	7	-	-	7
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	-	-	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	150	150	-	-	(139)	(139)
	3		**150**	**153**	7	-	(139)	(132)
Net income / (expenses) from reinsurance contracts	**(30)**		**150**	**120**	7	-	(139)	(132)
Net finance income / (expenses) from reinsurance contracts	-	-	(2)	(2)	-	-	3	3
Total changes in the statement of profit or loss and OCI	**(30)**		**148**	**118**	7	-	(136)	(129)
Cash flows								
Premiums paid, net of commissions	29	-	-	29	(4)	-	-	(4)
Amounts received relating to incurred claims	-	-	-	-	-	-	-	-
Total cash flows	**29**	**-**	**-**	**29**	(4)	-	-	(4)
Net closing balance	**(1)**	**-**	**148**	**147**	-	-	-	-
Closing assets	4	-	148	152	-	-	-	-
Closing liabilities	(5)	-	-	(5)	-	-	-	-
Net closing balance	**(1)**	**-**	**148**	**147**	-	-	-	-

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

II. Property and general

a. Insurance contracts

Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
31 December 2023	**Excluding loss component**	**Loss component**	**Contracts not under PAA**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets, 1 January 2023	(249)	-	-	119	6	(124)
Opening liabilities, 1 January 2023	(1,373)	-	-	14,174	708	13,509
Net opening balance, 1 January 2023	**(1,622)**	**-**	**-**	**14,293**	**714**	**13,385**
Changes in the statement of profit or loss and OCI						
Insurance revenue	**(16,936)**	**-**	**-**	**-**	**-**	**(16,936)**
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	-	5,581	-	5,581
Amortisation of insurance acquisition cash flows	1,076	-	-	-	-	1,076
Adjustments to liabilities for incurred claims	-	-	-	(5,429)	(269)	(5,698)
	1,076		**-**	**152**	**(269)**	**959**
Net finance expenses / (income) from insurance contracts	-	-	-	495	(3)	492
Total changes in the statement of profit or loss and OCI	**(15,860)**		**-**	**647**	**(272)**	**(15,485)**
Cash flows						
Premiums received	18,400	-	-	-	-	18,400
Claims and other insurance service expenses paid	-	-	-	(5,581)	-	(5,581)
Insurance acquisition cash flows	(920)	-	-	-	-	(920)
Total cash flows	**17,480**	**-**	**-**	**(5,581)**	**-**	**11,899**
Net closing balance, 31 December 2023	**(2)**	**-**	**-**	**9,359**	**442**	**9,799**
Closing assets, 31 December 2023	-	-	-	-	-	-
Closing liabilities, 31 December 2023	(2)	-	-	9,359	442	9,799
Net closing balance, 31 December 2023	**(2)**	**-**	**-**	**9,359**	**442**	**9,799**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

31 December 2022	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for incurred claims: Contracts not under PAA	Liabilities for incurred claims: Contracts under PAA: Estimate of present value of future cash flows	Liabilities for incurred claims: Contracts under PAA: Risk adjustment for non-financial risk	Total
Opening assets, 1 January 2022	(1,127)	-	-	46	-	(1,081)
Opening liabilities, 1 January 2022	5,518	-	-	7,276	55	12,849
Net opening balance, 1 January 2022	4,391	-	-	7,322	55	11,768
Changes in the statement of profit or loss and OCI						
Insurance revenue	(19,622)	-	-	-	-	(19,622)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	-	3,680	-	3,680
Amortisation of insurance acquisition cash flows	1,143	-	-	-	-	1,143
Adjustments to liabilities for incurred claims	-	-	-	6,861	661	7,522
	1,143	-	-	10,541	661	12,345
Net finance expenses / (income) from insurance contracts	-	-	-	110	(2)	108
Total changes in the statement of profit or loss and OCI	(18,479)	-	-	10,651	659	(7,169)
Cash flows						
Premiums received	13,119	-	-	-	-	13,119
Claims and other insurance service expenses paid	-	-	-	(3,679)	-	(3,679)
Insurance acquisition cash flows	(653)	-	-	-	-	(653)
Total cash flows	12,466	-	-	(3,679)	-	8,787
Net closing balance, 31 December 2022	(1,622)	-	-	14,294	714	13,386
Closing assets, 31 December 2022	(249)	-	-	119	6	(124)
Closing liabilities, 31 December 2022	(1,373)	-	-	14,175	708	13,510
Net closing balance, 31 December 2022	(1,622)	-	-	14,294	714	13,386

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

b. Reinsurance contracts

Analysis by remaining coverage and incurred claims

	31 December 2023				31 December 2022			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss component	**Loss component**	**Assets for incurred claims**	**Total**	Excluding loss component	Loss component	Assets for incurred claims	Total
Opening assets	702	-	12,856	13,558	2,806	-	6,191	8,997
Opening liabilities	(7,915)	-	1,949	(5,966)	(3,856)	-	206	(3,650)
Net opening balance	**(7,213)**	**-**	**14,805**	**7,592**	(1,050)	-	6,397	5,347
Allocation of reinsurance premiums paid	**(14,970)**	**-**	**-**	**(14,970)**	(17,664)	-	-	(17,664)
Amounts recoverable from reinsurers								
Recoveries of incurred claims and other insurance service expenses	2,413	-	2,823	5,236	2,535	-	339	2,874
Adjustments to assets for incurred claims	-	-	(3,989)	(3,989)	-	-	8,316	8,316
	2,413		**(1,166)**	**1,247**	2,535	-	8,655	11,190
Net expenses / (income) from reinsurance contracts	**(12,557)**		**(1,166)**	**(13,723)**	(15,129)	-	8,655	(6,474)
Net finance income from reinsurance contracts	-	-	477	477	-	-	92	92
Total changes in the statement of profit or loss and OCI	**(12,557)**		**(689)**	**(13,246)**	(15,129)	-	8,747	(6,382)
Cash flows								
Premiums paid, net of commissions	12,758	-	-	12,758	8,966	-	-	8,966
Amounts received relating to incurred claims	-	-	(2,823)	(2,823)	-	-	(339)	(339)
Total cash flows	**12,758**	**-**	**(2,823)**	**9,935**	8,966	-	(339)	8,627
Net closing balance	**(7,012)**		**11,293**	**4,281**	(7,213)	-	14,805	7,592
Closing assets	(1,569)	-	8,814	7,245	702	-	12,856	13,558
Closing liabilities	(5,443)	-	2,479	(2,964)	(7,915)	-	1,949	(5,966)
Net closing balance	**(7,012)**		**11,293**	**4,281**	(7,213)	-	14,805	7,592

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

III. Medical

a. Insurance contracts

Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
31 December 2023	**Excluding loss component**	**Loss component**	**Contracts not under PAA**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets, 1 January 2023	-	-	-	-	-	-
Opening liabilities, 1 January 2023	819	-	-	2,282	114	3,215
Net opening balance, 1 January 2023	**819**	**-**	**-**	**2,282**	**114**	**3,215**
Changes in the statement of profit or loss and OCI						
Insurance revenue	**(11,154)**	**-**	**-**	**-**	**-**	**(11,154)**
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	-	9,554	-	9,554
Amortisation of insurance acquisition cash flows	445	-	-	-	-	445
Losses and reversals of losses on onerous contracts	-	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	1,048	101	1,149
	445	**-**	**-**	**10,602**	**101**	**11,148**
Net finance expenses from insurance contracts	-	-	-	50	-	50
Total changes in the statement of profit or loss and OCI	**(10,709)**	**-**	**-**	**10,652**	**101**	**44**
Cash flows						
Premiums received	11,764	-	-	-	-	11,764
Claims and other insurance service expenses paid	-	-		(9,554)	-	(9,554)
Insurance acquisition cash flows	(244)	-	-	-	-	(244)
Total cash flows	**11,520**	**-**	**-**	**(9,554)**	**-**	**1,966**
Net closing balance, 31 December 2023	**1,630**	**-**	**-**	**3,380**	**215**	**5,225**
Closing assets, 31 December 2023	-	-	-	-	-	-
Closing liabilities, 31 December 2023	1,630	-	-	3,380	215	5,225
Net closing balance, 31 December 2023	**1,630**	**-**	**-**	**3,380**	**215**	**5,225**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

31 December 2022	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for incurred claims: Contracts not under PAA	Liabilities for incurred claims – Contracts under PAA: Estimate of present value of future cash flows	Liabilities for incurred claims – Contracts under PAA: Risk adjustment for non-financial risk	Total
Opening assets, 1 January 2022	-	-	-	-	-	-
Opening liabilities, 1 January 2022	1,475	-	-	1,939	2	3,416
Net opening balance, 1 January 2022	1,475	-	-	1,939	2	3,416
Changes in the statement of profit or loss and OCI						
Insurance revenue	(9,037)	-	-	-	-	(9,037)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	-	7,555	-	7,555
Amortisation of insurance acquisition cash flows	551	-	-	-	-	551
Losses and reversals of losses on onerous contracts	-	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	309	112	421
	551	-	-	7,864	112	8,527
Net finance expenses from insurance contracts	-	-	-	33	-	33
Total changes in the statement of profit or loss and OCI	(8,486)	-	-	7,897	112	(477)
Cash flows						
Premiums received	8,188	-	-	-	-	8,188
Claims and other insurance service expenses paid	-	-	-	(7,554)	-	(7,554)
Insurance acquisition cash flows	(358)	-	-	-	-	(358)
Total cash flows	7,830	-	-	(7,554)	-	276
Net closing balance, 31 December 2022	819	-	-	2,282	114	3,215
Closing assets, 31 December 2022	-	-	-	-	-	-
Closing liabilities, 31 December 2022	819	-	-	2,282	114	3,215
Net closing balance, 31 December 2022	819	-	-	2,282	114	3,215

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

b. Reinsurance contracts

Analysis by remaining coverage and incurred claims

	31 December 2023				31 December 2022			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss component	Loss component	Assets for incurred claims	Total	Excluding loss component	Loss component	Assets for incurred claims	Total
Opening assets	(775)	-	2,347	1,572	(61)	-	1,729	1,668
Opening liabilities	(329)	-	23	(306)	-	-	-	-
Net opening balance	**(1,104)**	**-**	**2,370**	**1,266**	(61)	-	1,729	1,668
Allocation of reinsurance premiums paid	**(4,039)**	**-**	**-**	**(4,039)**	(3,636)	-	-	(3,636)
Amounts recoverable from reinsurers								
Recoveries of incurred claims and other insurance service expenses	42	-	3,144	3,186	109	-	2,496	2,605
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	-	-	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	971	971	-	-	612	612
	42	**-**	**4,115**	**4,157**	109	-	3,108	3,217
Net (expenses) / income from reinsurance contracts	**(3,997)**	**-**	**4,115**	**118**	(3,527)	-	3,108	(419)
Net finance income from reinsurance contracts	-	-	50	50	-	-	30	30
Total changes in the statement of profit or loss and OCI	**(3,997)**	**-**	**4,165**	**168**	(3,527)	-	3,138	(389)
Cash flows								
Premiums paid, net of commission	3,369	-	-	3,369	2,484	-	-	2,484
Amounts received relating to incurred claims	-	-	(3,144)	(3,144)	-	-	(2,497)	(2,497)
Total cash flows	**3,369**	**-**	**(3,144)**	**225**	2,484	-	(2,497)	(13)
Net closing balance	**(1,732)**	**-**	**3,391**	**1,659**	(1,104)	-	2,370	1,266
Closing assets	334	-	2,157	2,491	(775)	-	2,347	1,572
Closing liabilities	(2,066)	-	1,234	(832)	(329)	-	23	(306)
Net closing balance	**(1,732)**	**-**	**3,391**	**1,659**	(1,104)	-	2,370	1,266

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

IV. Life assurance

a. Insurance contracts

i. Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
31 December 2023	**Excluding loss component**	**Loss component**	**Contracts not under PAA**	**Estimate of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets, 1 January 2023	-	-	-	-	-	-
Opening liabilities, 1 January 2023	417	473	-	1,915	96	2,901
Net opening balance, 1 January 2023	**417**	**473**	**-**	**1,915**	**96**	**2,901**
Changes in the statement of profit or loss and OCI						
Insurance revenue	**(5,580)**	**-**	**-**	**-**	**-**	**(5,580)**
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	182	3,942	-	4,124
Amortisation of insurance acquisition cash flows	165	-	-	-	-	165
Losses and reversals of losses on onerous contracts	-	6	-	-	-	6
Adjustments to liabilities for incurred claims	-	-	-	625	198	823
	165	**6**	**182**	**4,567**	**198**	**5,118**
Net finance (income) / expenses from insurance contracts	(15)	21	-	65	-	71
Total changes in the statement of profit or loss and OCI	**(5,430)**	**27**	**182**	**4,632**	**198**	**(391)**
Cash flows						
Premiums received	5,578	-	-	-	-	5,578
Claims and other insurance service expenses paid	-	-	(182)	(3,942)	-	(4,124)
Insurance acquisition cash flows	(125)	-	-	-	-	(125)
Total cash flows	**5,453**	**-**	**(182)**	**(3,942)**	**-**	**1,329**
Net closing balance, 31 December 2023	**440**	**500**	**-**	**2,605**	**294**	**3,839**
Closing assets, 31 December 2023	-	-	-	-	-	-
Closing liabilities, 31 December 2023	440	500	-	2,605	294	3,839
Net closing balance, 31 December 2023	**440**	**500**	**-**	**2,605**	**294**	**3,839**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims			
				Contracts under PAA		
31 December 2022	Excluding loss component	Loss component	Contracts not under PAA	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets, 1 January 2022	-	-	-	-	-	-
Opening liabilities, 1 January 2022	1,401	87	25	1,657	2	3,172
Net opening balance, 1 January 2022	1,401	87	25	1,657	2	3,172
Changes in the statement of profit or loss and OCI						
Insurance revenue	(5,467)	-	-	-	-	(5,467)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	143	4,091	-	4,234
Amortisation of insurance acquisition cash flows	44	-	-	-	-	44
Losses and reversals of losses on onerous contracts	-	391	-	-	-	391
Adjustments to liabilities for incurred claims	-	(8)	(25)	217	94	278
	44	383	118	4,308	94	4,947
Net finance (income) / expenses from insurance contracts	(69)	3	-	41	-	(25)
Total changes in the statement of profit or loss and OCI	(5,492)	386	118	4,349	94	(545)
Cash flows						
Premiums received	4,514	-	-	-	-	4,514
Claims and other insurance service expenses paid	-	-	(143)	(4,091)	-	(4,234)
Insurance acquisition cash flows	(6)	-	-	-	-	(6)
Total cash flows	4,508	-	(143)	(4,091)	-	274
Net closing balance, 31 December 2022	417	473	-	1,915	96	2,901
Closing assets, 31 December 2022	-	-	-	-	-	-
Closing liabilities, 31 December 2022	417	473	-	1,915	96	2,901
Net closing balance, 31 December 2022	417	473	-	1,915	96	2,901

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

ii. Analysis by measurement component – Contracts not measured under the PAA

31 December 2023	Estimates of present value of future cash flows	Risk adjustment for nonfinancial risk	Contractual Service Margin (CSM)	Total
Net opening balance, 1 January 2023	**1,187**	**162**	**300**	**1,649**
Changes in the statement of profit or loss and OCI				
Changes that relate to current services				
CSM recognised for services provided	-	-	(96)	(96)
Change in risk adjustment for non-financial risk for risk expired	-	(25)	-	(25)
Experience adjustments	(75)	-	-	(75)
Changes that relate to future services				
Contracts initially recognised in the year	(7)	4	20	17
Experience adjustments	(72)	35	107	70
Changes in estimates that adjust the CSM	7	(77)	70	-
Changes in estimates that do not adjust the CSM	101	(73)	-	28
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	**(46)**	**(136)**	**101**	**(81)**
Net finance (income) / expenses from insurance contracts	(24)	11	19	6
Total changes in the statement of profit or loss and OCI	**(70)**	**(125)**	**120**	**(75)**
Cash flows				
Premiums received	183	-	-	183
Insurance acquisition cash flows	-	-	-	-
Claims and other insurance service expenses paid	(182)	-	-	(182)
Total cash flows	**1**	**-**	**-**	**1**
Net closing balance, 31 December 2023	**1,118**	**37**	**420**	**1,575**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

31 December 2022	Estimates of present value of future cash flows	Risk adjustment for nonfinancial risk	Contractual Service Margin (CSM)	Total
Net opening balance, 1 January 2022	828	330	476	1,634
Changes in the statement of profit or loss and OCI				
Changes that relate to current services				
CSM recognised for services provided	-	-	(60)	(60)
Change in risk adjustment for non-financial risk for risk expired	-	(22)	-	(22)
Experience adjustments	(173)	-	-	(173)
Changes that relate to future services				
Changes that relate to future services				
Contracts initially recognised in the year	(6)	3	8	5
Experience adjustments	686	(149)	(151)	386
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that do not adjust the CSM	-	-	-	-
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(25)	-	-	(25)
Insurance service result	482	(168)	(203)	111
Net finance (income) / expenses from insurance contracts	(93)	-	27	(66)
Total changes in the statement of profit or loss and OCI	389	(168)	(176)	45
Cash flows				
Premiums received	118	-	-	118
Insurance acquisition cash flows	(143)	-	-	(143)
Claims and other insurance service expenses paid	(5)	-	-	(5)
Total cash flows	(30)	-	-	(30)
Net closing balance, 31 December 2022	1,187	162	300	1,649

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

b. Reinsurance contracts

i. Analysis by remaining coverage and incurred claims

	31 December 2023				31 December 2022			
	Assets for remaining coverage		Assets for incurred claims		Assets for remaining coverage		Assets for incurred claims	
	Excluding loss component	Loss component		Total	Excluding loss component	Loss component		Total
Opening assets	(888)	-	1,998	1,110	119	-	1,468	1,587
Opening liabilities	(83)	-	-	(83)	(433)	-	254	(179)
Net opening balance	**(971)**	**-**	**1,998**	**1,027**	(314)	-	1,722	1,408
Allocation of reinsurance premiums paid	**(3,989)**	**-**	**-**	**(3,989)**	(3,787)	-	-	(3,787)
Amounts recoverable from reinsurers								
Recoveries of incurred claims and other insurance service expenses	51	1	2,731	2,783	13	-	3,002	3,015
Recoveries and reversals of recoveries of losses on onerous underlying contracts	(3)	14	-	11	-	-	-	-
Adjustments to assets for incurred claims	-	-	1,014	1,014	-	-	227	227
	48	**15**	**3,745**	**3,808**	13	-	3,229	3,242
Net (expenses) / income from reinsurance contracts	**(3,941)**	**15**	**3,745**	**(181)**	(3,774)	-	3,229	(545)
Net finance income / (expenses) from reinsurance contracts	2	-	65	67	(2)	-	48	46
Total changes in the statement of profit or loss and OCI	**(3,939)**	**15**	**3,810**	**(114)**	(3,776)	-	3,277	(499)
Cash flows								
Premiums paid, net of commission	2,815	-	-	2,815	3,119	-	-	3,119
Amounts received relating to incurred claims	-	-	(2,788)	(2,788)	-	-	(3,001)	(3,001)
Total cash flows	**2,815**	**-**	**(2,788)**	**27**	3,119	-	(3,001)	118
Net closing balance	**(2,095)**	**15**	**3,020**	**940**	(971)	-	1,998	1,027
Closing assets	(1,975)	-	3,020	1,045	(888)	-	1,998	1,110
Closing liabilities	(120)	15	-	(105)	(83)	-	-	(83)
Net closing balance	**(2,095)**	**15**	**3,020**	**940**	(971)	-	1,998	1,027

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

ii. Analysis by measurement component – Contracts not measured under the PAA

31 December 2023	Estimates of present value of future cash flows	Risk adjustment for nonfinancial risk	Contractual Service Margin (CSM)	Total
Opening balance, 1 January 2023	**22**	**-**	**61**	**83**
Changes in the statement of profit or loss and OCI				
Changes that relate to current services				
CSM recognised for services provided	-	-	(4)	(4)
Change in risk adjustment for non-financial risk for risk expired	-	1	-	1
Experience adjustments	56	-	-	56
Changes that relate to future services				
Contracts initially recognised in the year	(2)	(1)	(4)	(7)
Experience adjustments	(95)	(20)	110	(5)
Changes in estimates that adjust the CSM	(8)	12	(4)	-
Changes in estimates that do not adjust the CSM	(1)	1	-	-
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Net expenses from reinsurance contracts	**(50)**	**(7)**	**98**	**41**
Net finance (expense) / income from reinsurance contracts	(6)	-	3	(3)
Total changes in the statement of profit or loss and OCI	**(56)**	**(7)**	**101**	**38**
Cash flows				
Premiums paid	(73)	-	-	(73)
Claims and other insurance service expenses paid	57	-	-	57
Total cash flows	(16)	-	-	(16)
Closing balance, 31 December 2023	**(50)**	**(7)**	**162**	**105**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

31 December 2022	Estimates of present value of future cash flows	Risk adjustment for nonfinancial risk	Contractual Service Margin (CSM)	Total
Net opening balance, 1 January 2022	26	-	23	49
Changes in the statement of profit or loss and OCI				
Changes that relate to current services	-	-	(17)	(17)
CSM recognised for services provided	131	-	-	131
Experience adjustments				
Changes that relate to future services				
Contracts initially recognised in the year	1	-	(1)	-
Experience adjustments	(55)	-	55	-
Changes that relate to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Net expenses from reinsurance contracts	77	-	37	114
Net finance income from reinsurance contracts	1	-	1	2
Total changes in the statement of profit or loss and OCI	78	-	38	116
Cash flows				
Premiums paid	(82)	-	-	(82)
Total cash flows	(82)	-	-	(82)
Net closing balance, 31 December 2022	22	-	61	83

B. Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under the PAA in the year.

Long-term life assurance

i. Insurance contracts

2023	**Profitable contracts issued**	**Onerous contract issued**	**Total**
Claims and other insurance service expenses payable	(157)	(61)	(218)
Insurance acquisition cash flows	(8)	-	(8)
Estimates of present value of cash outflows	(165)	(61)	(226)
Estimates of present value of cash inflows	187	46	233
Risk adjustment for non-financial risk	(3)	(2)	(5)
CSM	(19)	-	(19)
Losses recognised on initial recognition	**-**	(17)	(17)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

2022	Profitable contracts issued	Onerous contract issued	Total
Claims and other insurance service expenses payable	(19)	(16)	(35)
Insurance acquisition cash flows	(1)	-	(1)
Estimates of present value of cash outflows	(20)	(16)	(36)
Estimates of present value of cash inflows	30	12	42
Risk adjustment for non-financial risk	(2)	(1)	(3)
CSM	(8)	-	(8)
Losses recognised on initial recognition	-	(5)	(5)

ii. Reinsurance contracts

2023	**Contracts initiated without loss-recovery component**	**Contracts initiated with loss-recovery component**	**Total**
Estimates of present value of cash outflows	(16)	(12)	(28)
Estimates of present value of cash inflows	18	12	30
Risk adjustment for non-financial risk	1	1	2
CSM	-	(1)	(1)
Losses recognised on initial recognition	**3**	-	3

2022	Contracts initiated without loss-recovery component	Contracts initiated with loss-recovery component	Total
Estimates of present value of cash outflows	-	1	1
Estimates of present value of cash inflows	-	-	-
Risk adjustment for non-financial risk	-	-	-
CSM	-	-	-
Losses recognised on initial recognition	-	1	1

Notes to the Consolidated Financial Statements (Continued)

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14 INSURANCE AND REINSURANCE CONTRACTS (continued)

C. Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

Long-term life assurance

31 December 2023	**1 year or less**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**5–10 years**	**More than 10 years**	**Total**
Insurance contracts	420	347	285	233	188	490	40	2,003
Reinsurance contracts	163	129	102	81	65	179	19	738

31 December 2022	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5–10 years	More than 10 years	Total
Insurance contracts	300	251	209	172	141	379	34	1,486
Reinsurance contracts	62	50	41	33	26	66	5	283

D. Non-life 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 h as changed at successive year-ends, for motor and non-motor excluding life and medical businesses.

Information about claims development for both medical and life assurance is not presented as the uncertainty about the amount and timing of the claims payments is typically resolved within one year.

Total estimation of the ultimate claim cost comprises estimated amount of claims outstanding and claims incurred but not reported.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

i. Gross insurance claims for general insurance business

Accident year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimates of undiscounted gross cumulative claims											
At end of reporting year	5,550	8,850	4,772	4,798	6,577	8,114	7,590	5,737	11,027	**6,238**	76,528
One year later	7,510	8,928	5,833	5,813	6,512	9,357	7,459	5,273	**8,472**		72,669
Two years later	7,957	9,433	5,934	5,788	7,806	7,745	7,897	**4,659**			63,277
Three years later	7,901	9,629	5,729	7,240	8,308	7,156	**6,148**				58,084
Four years later	7,979	9,589	6,349	7,372	8,123	**6,718**					51,948
Five years later	8,058	5,869	6,329	7,326	**7,833**						41,312
Six years later	9,642	5,926	6,315	**7,316**							35,126
Seven years later	9,668	5,931	**6,297**								29,984
Eight years later	9,672	**5,930**									21,679
Nine years later	**9,661**										15,736
Current estimate of cumulative claims **(A)**	9,661	5,930	6,297	7,316	7,833	6,718	6,148	4,659	8,472	6,238	69,272
Cumulative payments to date **(B)**	9,471	5,699	6,165	7,292	7,316	6,075	5,042	3,812	6,043		56,915
Total (A – B)	**190**	**231**	**132**	**24**	**517**	**643**	**1,106**	**847**	**2,429**	**6,238**	**12,357**
Reserve in respect of years prior to 2014											**682**
Gross liabilities for incurred claims											**13,039**

ii. Net insurance claims for general insurance business

Accident year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimate of ultimate claims costs:											
At end of reporting year	2,281	2,083	2,201	2,888	4,477	5,791	3,519	4,251	5,630	**3,552**	36,530
One year later	2,874	2,794	3,122	3,360	3,452	3,725	3,058	2,310	**3,397**		31,448
Two year later	3,260	3,142	3,442	2,215	3,642	4,492	3,570	**2,999**			30,041
Three year later	3,320	3,364	2,872	4,241	4,394	4,151	**4,118**				29,613
Four year later	3,403	2,993	2,596	2,656	2,449	**2,559**					19,789
Five year later	3,286	2,887	2,867	2,842	**2,843**						17,904
Six year later	3,121	3,111	3,002	**3,050**							15,421
Seven year later	3,333	3,283	**3,197**								13,154
Eight year later	3,146	**3,129**									9,428
Nine year later	**6,469**										8,698
Current estimate of cumulative claims **(A)**	6,469	3,129	3,197	3,050	2,843	2,559	4,118	2,999	3,397	3,552	35,313
Cumulative payments to date **(B)**	6,448	3,118	3,246	3,046	2,832	2,358	3,709	2,593	2,121		29,471
Total (A – B)	**21**	**11**	**49**	**4**	**11**	**201**	**409**	**406**	**1,276**	**3,552**	**5,842**
Net reserve in respect of years prior to 2014											**(8)**
Net liabilities for incurred claims											**5,834**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

E. Use of judgements and estimates

i. Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows,
- to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Group uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. The Group derives cost inflation assumptions from the difference between the yields on nominal and inflation-linked government bonds.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Group will incur in providing investment services;
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Group generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group. Other costs are recognised in profit or loss as they are incurred.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Group's substantive rights and obligations under the contract.

Long-term life risk contracts

Assumptions about mortality/longevity, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type at local entity level, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Mortality/longevity and morbidity assumptions are generally developed using a blend of national mortality data, industry trends and the local entity's recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

Mortality is a key assumption in the measurement of immediate fixed annuities issued. The actuarial estimate has been prepared by independent actuaries. The 75-80 Ultimate Mortality US Tables are used and adjusted to reflect expected mortality and disability improvements, as set out below:

2023	**Source**	**Table used and adjustments**
Mortality Rate	Societies of Actuaries ("SoA")	45% of 75-80 Ultimate
Disability Rate	SoA	25% of 75-80 Ultimate

2022	Source	Table used and adjustments
Mortality Rate	SoA	45% of 75-80 Ultimate
Disability Rate	SoA	25% of 75-80 Ultimate

Policyholder behaviour is a key assumption in the measurement of life savings and participating insurance contracts. Each type of policyholder behaviour is estimated by product type, based on trends in recent experience.

For deferred fixed annuity and universal life contracts, crediting rates and discount rates (see 'Discount rates' below), and for participating contracts, the extent to which participation percentages exceed minimum participation percentages are key assumptions in measuring those contracts. The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year. The crediting rates applied vary between products and Group entities. In the current economic environment, the amounts credited are often determined by interest rate guarantees. The participation percentages applied in both 2023 and 2022 were the minimum participation rates.

To determine how to identify changes in discretionary cash flows for these contracts, the Group generally regards its commitment to be the return implicit in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current financial risk assumptions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

Non-life contracts

The Group estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter- Ferguson methods. These techniques assume that the Group's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately from other claims.

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 judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Discount rates

The Group adjusts the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows.

The discount rates applied to the estimates of the future cash flows reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts are consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Group used the Bottom-up approach to determine the required discount rates. The Bottom-up approach is market-driven with minimal ongoing operations.

Bottom-Up Discount Rate = Risk-free Rate + Illiquidity Premium

Risk-free Rate

Under this approach Bahrain's Government bonds are considered to be risk-free due to the low probability of default of the government. An alternative is available, wherein the Government Risk free curve is constructed from the USD risk free curve given the BHD is pegged with the USD.

The US Treasury bond yields, considered to be the US Risk-free rates, as at the date of measurements are taken.

The Bahrain's Risk Free Rate is derived from the US Risk Free Rate and the Bahrain's Country Risk Premium.

Illiquidity Premium

The adjustment to reflect the liquidity characteristics of the insurance contracts has been broadly termed the illiquidity premium. Highly liquid insurance contracts would have a low (or even no) illiquidity premium while very illiquid contracts would have a higher illiquidity premium.

In order to understand the nature of insurance contract liquidity characteristics, the Group has considered the lapse rates and the surrender value. Higher the lapse rates or higher the surrender value, more liquid is the contract.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

	2023					2022				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**	1 year	5 years	10 years	15 years	20 years
USD	**6.44%**	**5.47%**	**5.52%**	**5.73%**	**5.95%**	6.57%	5.83%	5.75%	5.77%	5.79%

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The methodology to determine the risk adjustment was based on a mix of results of Group's own experience variability and the Value at Risk approach. The Group relied on the percentile approach based on Risk Margin Solvency II results. The Group calibrated the parameters of the distribution based on the experience and credibility of the historical data.

To estimate the risk adjustments, the Group used a method derived from the Risk Margin calculation methodology used in Solvency II. The Group applied the stresses mentioned in the below table on the underlying non-financial risk assumptions of Mortality, Lapse, Expense, etc. as prescribed in Solvency II. The Group assumed that the fluctuation in present value of expected outflows on applying the sensitivities mentioned under Solvency II is representative of the risk adjustment under IFRS 17. Further, the diversification benefit has also been allowed for in the estimation of risk adjustment driven by the mix of business and the expected correlations matrix in line with Solvency II.

SOLVENCY II LIFE RISK MODULES

LIFE UNDERWRITING RISK MODULE	**PRESCRIBED SENSTIVITY**
Mortality Risk Sub-Module	Permanent Increase of 15%
Longevity Risk Sub-Module	Permanent Decrease of 20%
Disability-Morbidity Risk Sub-Module	Increase of 35% in year 1, 25% in year 2 and decrease of 20% in year 3 onwards
Life Expense Risk Sub-Module	Increase of 10% in the Expense rates and increase of 1% in the Inflation rates
Lapse Risk Sub-Module	Permanent Increase of 50% Permanent Decrease of 50%
Mass Lapse Risk Sub-Module	Instantaneous increase of 40% in Lapse Rates
Life Catastrophe Risk Sub-Module	Absolute increase of 0.15% in Mortality Rates in the first year of valuation across all ages

The Group has expressed the risk adjustment as a percentage of present value of expected outflows calculated on best estimate assumptions. As Solvency II determines the Risk Margin at 99.5th percentile, the risk adjustment is determined using the above methodology corresponds to the 99.5th percentile.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

14 INSURANCE AND REINSURANCE CONTRACTS (continued)

Further, the Group assumed that the present value ("PV") of outflows will follow the Lognormal distribution with mean set as Best Estimate PV of Outflows and standard deviation determined using the RA at 99.5th percentile calculated above. The choice of the log-normal distribution for modelling the outflows or benefits amount of insurance company is widely used and accepted in the actuarial community.

The assumption that the best estimate liabilities of the Group follow a log-normal distribution with mean equal to the PV of expected outflows currently held by the Group, enables the derivation of the full distribution, indicating the required risk adjustment for a given level of confidence.

The confidence level has been set to 75t percentile. The level of the percentile has been decided by the Group and can be amended at a later stage if required.

ii. Contractual service margin

Determination of coverage units

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The Group determines the quantity of the benefits provided under each contract as follows.

• **Term assurance** • **Non-participating whole-life**	Sum assured payable on death
Critical illness	Maximum amount payable (including any premiums waived) on detection of illness
Immediate fixed annuity	Annuity amount payable in each period
• **Universal life** • **Traditional participating** • **Unit-linked and other investment-linked**	• Insurance coverage: Net amount at risk (i.e. guaranteed minimum benefits less account value), if any • Investment services: Account value
Non-life contracts acquired in their claims settlement period	Expected amount of claims to be settled in each period
Quota share reinsurance	The same basis as the underlying contracts, including expected new business within the reinsurance contract boundary
Excess of loss and stop loss reinsurance	Expected amount of underlying claims to be covered in each period

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Group generally considers the selling prices for the services had they been offered on a stand-alone basis and adjusts the quantity of benefits for each service in proportion to those stand-alone selling prices. The stand-alone selling price for a service may be evidenced by observable prices when the Group sells that service separately to policyholders with similar characteristics.

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in Note 14(c).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

15 INVESTMENT CONTRACT LIABILITIES

	2023	2022
Group savings scheme		
Balance at 1 January	1,487	1,553
Contributions received	181	194
Benefits paid	(111)	(211)
Investment return	106	(37)
Management fee	(11)	(12)
Actuarial adjustment on future benefit obligations	85	-
Balance at 31 December	**1,737**	1,487
Future benefit obligations per statement of financial position	**1,737**	1,487
Actuarial estimate of the present value of future benefit obligations at 31 December	**1,737**	1,599

The Group issues group savings contracts. This a form of endowment plan whereby both the employee and employer contribute a certain proportion of the employee's salary on a periodical basis. Under specified terms and conditions, the surrender value of the policy is equal to:

- Within 5 to 7 years: the total contribution amount less any surrender penalties
- After 5 to 7 years: the total contribution amount plus a minimum guaranteed return.

The reserves for these contracts are calculated as 101% of the minimum guaranteed reserve, which equals the total contributions to date accumulated at a given annual interest rate.

The Group 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 2023 amounted to BD 76 thousand (2022: BD 82 thousand). The contributions received are invested as part of policyholders' investments.

16 OTHER LIABILITIES

	2023	2022
Provision for employees' benefits	926	826
Employees' leaving indemnities	218	527
Lease liabilities	419	474
Cash collateral	324	329
VAT payables	305	267
Medical claims care fund	151	170
Hit and run levy fee	125	103
Other	1,582	1,555
	4,050	4,251

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

16 OTHER LIABILITIES (continued)

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 12 for the information about the Group's right-of-use assets.

ii) Lease liabilities

See note 25 for a maturity analysis of lease liabilities as at 31 December 2023 and 2022, and note 31 for the movements in lease liabilities for the years then ended.

iii) Amounts recognised in profit or loss

	2023	2022
Interest on lease liabilities	29	34
Expenses relating to short-term leases	-	18
Expenses relating to leases of low-value assets	16	17
	45	69

iv) Amounts recognised in the statement of cash flows

	2023	2022
Total cash outflow for leases	84	96

17 RETIREMENT BENEFITS COST

As at 31 December 2023, the Group employed 158 Bahrainis (2022: 163 Bahrainis) and 15 expatriates (2022: 42 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 2023 amounted to BD 357 thousand (2022: BD 271 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 2023 amounted to BD 76 thousand (2022: BD 82 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 2023 amounted to BD 946 thousand (2022: BD 834 thousand) and is included in the Investment contract liabilities (note 15). 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

17 RETIREMENT BENEFITS COST (continued)

Movement in employees' leaving indemnities:

	2023	2022
Balance at 1 January	527	473
Payments	(241)	(9)
Net (release) / charge during the year	(68)	63
Balance at 31 December	**218**	527

18 SHARE CAPITAL

	Number 2023	Amount 2023	Number 2022	Amount 2022
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.

On 12 April 2022, the Company has completed the disposal of its treasury shares of 6,566,756 shares, with carrying value of BD 1,868 thousand as of 31 December 2021. The consideration received of BD 2,554 thousand, net of transaction costs, was recognised directly in equity and the difference of BD 686 thousand between carrying value and consideration was recognised in equity under Retained Earnings.

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

	2023	2022
Basic and diluted earnings per share – fils	58.1	94.3
Proposed cash dividend – fils	35.0	35.0
Book value per share – fils	587.8	554.6
Stock exchange price at 31 December – fils	505.0	445.0
Market capitalization at 31 December – in thousands of BD	60,183	53,033
Price/Earnings ratio at 31 December	8.7	4.7

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 6,927 thousand (2022: BD 11,243 thousand), attributable to 119,175,000 ordinary shares (2022: BD 119,175,000 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

18 SHARE CAPITAL (continued)

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%

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

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

ii. Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Shareholding (share)	Number of shareholders	Number of shares held	Shareholding %
Less than 50,000	500	6,005,866	5.040%
50,000 to 500,000	131	22,709,658	19.056%
500,001 to 5,000,000	49	75,024,903	62.954%
More than 5,000,001	2	15,434,573	12.951%
TOTAL	**682**	**119,175,000**	**100.000%**

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

19 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

The fair value reserve comprises the cumulative net change in the fair value of equity securities measured at FVOCI. Upon de-recognition of any security, the corresponding gain or loss, recognised earlier directly in the investment fair value reserve, is transferred to retained earnings.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

20 PROPOSED APPROPRIATIONS AND DIRECTORS REMUNERATION

	2023	2022
Profit as per consolidated statement of profit or loss	7,226	11,439
Net profit attributable to non-controlling interest	(299)	(196)
Profit attributable to shareholders of Parent company	**6,927**	11,243
Proposed appropriations:		
Dividend to shareholders	4,171	4,171
Retained earnings	2,756	7,072
	6,927	11,243

Proposed directors' remuneration is BD 175 thousand (2022: BD 115 thousand). The appropriation of the 2023 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.

21 INSURANCE REVENUE

The following tables present an analysis of the insurance revenue recognised in the year.

2023	**Life assurance**	**Non-life**	**Total**
Contracts not measured under the PAA			
Amounts relating to changes in liabilities for remaining coverage			
- CSM recognised for services provided	96	-	96
- Change in risk adjustment for nonfinancial risk for risk expired	14	-	14
- Expected incurred claims and other insurance service expenses	158	-	158
Recovery of insurance acquisition cash Flows	1	-	1
	269	**-**	**269**
Contracts measured under PAA	**5,311**	**39,474**	**44,785**
Total insurance revenue	**5,580**	**39,474**	**45,054**

2022 (restated)	Life assurance	Non-life	Total
Contracts not measured under the PAA			
Amounts relating to changes in liabilities for remaining coverage			
- CSM recognised for services provided	63	-	63
- Change in risk adjustment for nonfinancial risk for risk expired	22	-	22
- Expected incurred claims and other insurance service expenses	307	-	307
Recovery of insurance acquisition cash Flows	1	-	1
	393	-	393
Contracts measured under PAA	5,074	39,983	45,057
Total insurance revenue	5,467	39,983	45,450

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

22 INVESTMENT RETURN

A. Interest income

	2023	2022 (restated)
Placements with banks	1,220	588
Debt securities	883	808
	2,103	1,396

B. Other investment income

	2023	2022 (restated)
Dividend income	824	802
Net change of fair value on investments at FVTPL	341	117
Net losses on disposal of financial investments	(141)	(276)
Foreign exchange gains / (losses)	1	(13)
Accretion of discount on debt securities at amortised cost	87	(395)
ECL allowance	69	25
Investment properties' income	209	237
Depreciation charges on investment properties	(143)	(167)
Other investment properties' expenses	(59)	(13)
Investment administration expenses	(52)	(61)
	1,136	256

23 EXPENSES

	2023	2022 (restated)
Claims and benefits	18,657	26,443
Losses on onerous contracts	115	383
Fees and commissions	2,437	2,125
Claims management fees	538	389
Employee costs	4,525	3,973
Depreciation and amortisation	351	368
Impairment loss on Building	269	-
IT expenses	570	405
Other expenses	1,820	1,514
	29,282	35,600
Represented by		
Insurance service expenses	24,969	31,879
Corporate expenses	3,364	2,509
Other expenses	949	1,212
	29,282	35,600

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

24 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.

2023	Motor	Property & General	Medical	Life Assurance	Corporate	Total
Insurance revenue	**11,384**	**16,936**	**11,154**	**5,580**	**-**	**45,054**
Insurance service expenses	(7,744)	(959)	(11,148)	(5,118)	-	(24,969)
Net income / (expenses) from reinsurance contracts	120	(13,723)	118	(181)	-	(13,666)
Insurance service results	**3,760**	**2,254**	**124**	**281**	**-**	**6,419**
Net finance expenses from insurance contracts	(221)	(492)	(50)	(71)	-	(834)
Net finance (expenses) / income from reinsurance contracts	(2)	477	50	67	-	592
Investment return	1,080	1,080	197	660	222	3,239
Share of profit of equity accounted investees	-	-	-	-	1,416	1,416
Corporate expenses	-	-	-	-	(3,364)	(3,364)
Other expenses	(612)	(247)	165	(18)	63	707
Other income	412	85	(107)	17	-	(949)
Segment results	**4,417**	**3,157**	**379**	**936**	**(1,663)**	**7,226**

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

24 SEGMENTAL INFORMATION (continued)

2022 (restated)	Motor	Property & General	Medical	Life Assurance	Corporate	Total
Insurance revenue	11,324	19,622	9,037	5,467	-	45,450
Insurance service expenses	(6,060)	(12,345)	(8,527)	(4,947)	-	(31,879)
Net expenses from reinsurance contracts	(132)	(6,474)	(419)	(545)	-	(7,570)
Insurance service results	5,132	803	91	(25)	-	6,001
Net finance (expenses) / income from insurance contracts	(181)	(108)	(33)	25	-	(297)
Net finance income from reinsurance contracts	3	92	30	46	-	171
Investment return	428	428	158	527	112	1,652
Gain on reclassification of equity accounted investee to financial asset	-	-	-	-	5,872	5,872
Share of profit of equity accounted investees	-	-	-	-	1,143	1,143
Corporate expenses	-	-	-	-	(2,509)	(2,509)
Other expenses	(662)	28	113	38	8	618
Other income	431	(472)	(98)	20	-	(1,212)
Segment results	5,151	771	261	631	4,626	11,439

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

2023	**Bahrain**	**GCC**	**Other Countries**	**Total**
Revenue	44,142	889	23	**45,054**
Non-current assets	16,367	12,727	10,016	**39,110**

2022 (restated)	Bahrain	GCC	Other Countries	Total
Revenue	43,912	1,445	93	45,450
Non-current assets	17,813	13,463	4,729	36,005

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL 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 managed by having number of reinsurance across these risks and the 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

(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 dependent 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 inured 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

Type of contract	Terms and conditions	Key factors affecting future cash flows
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 spilt 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

(iv) Risk exposure and concentration of insurance risk

The carrying amounts of the Group's insurance contracts (net of reinsurance) are analysed below by type of product.

	2023	2022 (restated)
Motor	11,351	11,324
Property	823	820
Engineering	197	252
Liability	435	429
General Accidents	429	262
Marine	85	200
Medical	7,293	5,578
Life	1,640	1,720
	22,253	20,585

(v) Sensitivity analysis

The table below analyses how the profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	CSM		**Profit or loss**		**Equity**	
2023	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Non-Life Insurance						
Expense rate						
1 percent increase	-	-	(65)	(41)	(65)	(41)
1 percent decrease	-	-	65	41	65	41
Expected loss ratio						
1 percent increase	-	-	(187)	(119)	(187)	(119)
1 percent decrease	-	-	187	119	187	119
Life Assurance						
Demographic assumptions						
1 percent increase in base mortality rate	(46)	(18)	(31)	(27)	(77)	(45)
1 percent decrease in base mortality rate	46	18	31	27	77	45
1 percent increase in base morbidity rate	-	-	-	-	-	-
1 percent decrease in base morbidity rate	-	-	-	-	-	-
Expense assumptions						
1 percent increase	(10)	(10)	(9)	(9)	(19)	(19)
1 percent decrease	10	10	9	9	19	19
Lapse rate						
1 percent increase	28	27	42	41	70	68
1 percent decrease	(28)	(27)	(42)	(41)	(70)	(68)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

2022 (restated)	CSM		Profit or loss		Equity	
	Gross	Net	Gross	Net	Gross	Net
Non-Life Insurance						
Expense rate						
1 percent increase	-	-	(57)	(31)	(57)	(31)
1 percent decrease	-	-	57	31	57	31
Expected loss ratio						
1 percent increase	-	-	(264)	(116)	(264)	(116)
1 percent decrease	-	-	264	116	264	116
Life Assurance						
Demographic assumptions						
1 percent increase in base mortality rate	(33)	(11)	(32)	(115)	(64)	(126)
1 percent decrease in base mortality rate	33	11	32	115	64	126
1 percent increase in base morbidity rate	7	3	20	71	26	74
1 percent decrease in base morbidity rate	(7)	(3)	(20)	(71)	(26)	(74)
Expense assumptions						
1 percent increase	(1)	(3)	(26)	(92)	(27)	(95)
1 percent decrease	1	3	26	92	27	95
Lapse rate						
1 percent increase	19	13	5	16	24	30
1 percent decrease	(19)	(13)	(5)	(16)	(24)	(30)

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.

c) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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 insurance and reinsurance contract assets is limited to local policyholders 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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	**2023**	2022 (restated)
Insurance contract assets	-	124
Reinsurance contract assets	10,933	16,240
Financial investment securities:		
- FVTPL debt instruments	4,018	4,231
- Debt instruments at amortized cost	19,371	24,083
- Placements with banks	23,761	14,400
Cash equivalents with banks	5,879	5,828
Lease receivables	75	134
Statutory deposits	136	133
Other assets	3,413	2,420
	67,586	67,593

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 contracts 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).

Credit quality analysis

The following table sets out information about the credit quality of debt instruments.

The ratings given below are by established rating agencies.

	2023	2022 (restated)
Debt instruments measured at FVTPL and at amortized cost		
A- to A+	3,138	1,372
BBB- to BBB+	19,093	25,763
Unrated	1,148	1,157
	23,379	28,292

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 27.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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:

	2023	2022
Debt instruments:		
Government of Bahrain	10,057	17,373
Bank balances and receivables:		
National Bank of Bahrain	976	4,291
Bank of Bahrain and Kuwait	7,325	4,193
Arab Bank	7,152	4,087
Mashreq Bank	7,269	2,373
Habib Bank Limited	-	1,364
Ahli United Bank	2,442	1,180
Kuwait Finance House	3,641	858

Amounts arising from ECL on financial assets

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument. Transfers due to changes in credit risk are determined in accordance with the accounting policy set out in Note 5(iv)(c).

	2023 Stage 1: 12-month ECL	2022 Stage 1: 12-month ECL (restated)
Debt instruments as amortized cost		
Balance at 1 January	22	30
Net remeasurement of loss allowance	(12)	(8)
	10	22

	2023 Stage 1: 12-month ECL	2022 Stage 1: 12-month ECL (restated)
Cash and cash equivalents and placements with banks with maturities of more than three months		
Balance at 1 January	168	189
Net remeasurement of loss allowance	(54)	(21)
	114	168

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

Impairment on cash and cash equivalents, placements with banks and debt instruments has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that these financial assets have low credit risk based on the external credit ratings of the counterparties.

	2023 Stage 3: Lifetime ECL credit-impaired	2022 Stage 3: Lifetime ECL credit-impaired
Lease receivables		
Balance at 1 January	71	181
Net remeasurement of loss allowance	-	(51)
Write-off	-	(59)
	71	71

	2023 Stage 3: Lifetime ECL credit-impaired	2022 Stage 3: Lifetime ECL credit-impaired
Other assets		
Balance at 1 January	149	143
Net remeasurement of loss allowance	5	6
	154	149

The Group classified certain lease receivables and other assets as credit-impaired because of significant financial difficulties being experienced by the counterparties. The Group has no collateral in respect of these financial assets.

(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 26.

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 material accounting policies in note 5. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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.

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:

2023	**Undiscounted contractual cash flows**						
Financial liabilities	**Carrying amount**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**More than 5 years**
Insurance contract liabilities	27,674	27,674	-	-	-	-	-
Reinsurance contract liabilities	3,906	3,906	-	-	-	-	-
Other payables	3,631	3,631	-	-	-	-	-
Lease liability	419	77	77	77	77	77	205

2022 (restated)	Undiscounted contractual cash flows						
Financial liabilities	Carrying amount	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
Insurance contract liabilities	29,773	29,773	-	-	-	-	-
Reinsurance contract liabilities	6,355	6,355	-	-	-	-	-
Other payables	3,777	3,777	-	-	-	-	-
Lease liability	474	90	77	77	77	77	282

(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 27.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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:

	2023 Aggregate principal	**2023 Effective rate**	2022 Aggregate principal	2022 Effective rate
Cash and deposits	**29,531**	**5.20%**	20,065	2.58%
Bonds and treasury bills	**23,379**	**4.16%**	28,292	3.17%

Equity price risk

The Group's exposure to equity price risk arises from its investments in equity securities.

The Group risk committee regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentrations to geographies and industries. The Group does not have a significant concentration of equity price risk.

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:

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

Net currency-wise concentration

Financial Assets	**2023**	2022 (restated)
Euros	136	140
Pounds sterling	33	142
Other currencies	381	484
Total open foreign exchange position at 31 December	550	766
United States dollars	28,949	27,895
GCC Currencies	15,883	13,471
Bahraini dinars	60,161	63,181
	105,543	105,313
This comprises of:		
Financial investments	50,246	55,487
Placements with banks	23,659	14,529
Cash and cash equivalents	5,872	5,806
Equity accounted investees	11,570	11,090
Insurance and reinsurance contract assets	10,933	16,364
Others	3,263	2,307
	105,543	105,313

Financial Liabilities	**2023**	2022 (restated)
Bahraini dinars	32,939	36,309
United States dollars	1,577	2,259
GCC Currencies	2,735	3,162
Euros	27	29
Pounds sterling	50	57
Other currencies	39	50
	37,367	41,866
This comprises of:		
Insurance and reinsurance contract liabilities	31,580	36,128
Investment contract liabilities	1,737	1,487
Other payables	4,050	4,251
	37,367	41,866

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL 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.

	2023			2022 (restated)		
Net financial assets and liabilities	**CSM**	**Profit or loss**	**Equity**	CSM	Profit or loss	Equity
US Dollars	**-**	**256**	**262**	-	239	247
GCC currencies	**-**	**21**	**159**	-	24	135
Euro	**-**	**-**	**-**	-	1	1
Pounds Sterling	**-**	**1**	**1**	-	1	1
Other currencies	**-**	**1**	**4**	-	2	5

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 and reinsurance contract assets and liabilities.

	2023			2022 (restated)		
31 December	**CSM**	**Profit or loss**	**Equity**	CSM	Profit or loss	Equity
Interest rate risk						
+1 percent shift in yield curves	**1**	**594**	**594**	(13)	610	610
-1 percent shift in yield curves	**(1)**	**(594)**	**(594)**	(14)	(610)	(610)
Equity price risk						
+1 percent increases in equity prices	**-**	**12**	**2,115**	-	13	1,895
-1 percent decrease in equity prices	**-**	**(12)**	**(2,115)**	-	(13)	(1,895)

(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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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:

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

d) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

25 RISK AND CAPITAL MANAGEMENT (continued)

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.

26 MATURITY PROFILE OF INVESTMENTS

2023	**Less than 1 year**	**1 - 5 years**	**5 - 10 years**	**Over 10 years / no maturity**	**Total**
Equities	-	-	-	21,405	**21,405**
Government bonds and treasury bills	3,429	2,384	3,798	-	**9,611**
Corporate bonds	1,611	6,182	1,390	567	**9,750**
Equity accounted investees	-	-	-	11,570	**11,570**
	5,040	**8,566**	**5,188**	**33,542**	**52,336**

This balance comprises of:

	2023
FVOCI securities	21,405
Securities measured at amortized cost	19,361
Equity accounted investees	11,570
	52,336

2022 (restated)	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years / no maturity	Total
Equities	-	-	-	19,532	19,532
Government bonds and treasury bills	11,207	2,489	2,859	-	16,555
Corporate bonds	319	6,020	617	550	7,506
Equity accounted investees	-	-	-	11,090	11,090
	11,526	8,509	3,476	31,172	54,683

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

26 MATURITY PROFILE OF INVESTMENTS (continued)

This balance comprises of:

	2022 (restated)
FVOCI securities	19,532
Securities measured at amortized cost	24,061
Equity accounted investees	11,090
	54,683

Managed funds not having a fixed maturity date are classified as maturing after ten years. Securities carried at FVTPL and placements with banks with maturities of more than three months are readily realisable and intended to be held for short term purposes. These are not included in the above maturity profile of investments.

27 GEOGRAPHICAL CONCENTRATION OF INVESTMENTS

	2023	2022 (restated)
Bahrain	54,343	52,512
Other GCC countries	15,554	16,060
North America	5,321	4,025
Europe	2,049	3,338
China and India	7,540	4,036
Other global/multi-regional	668	865
	85,475	80,836

This comprises of:

	2023	2022 (restated)
FVTPL securities	9,480	11,894
FVOCI securities	21,405	19,532
Securities measured at amortized cost	19,361	24,061
Placements with banks	23,659	14,259
Equity accounted investees	11,570	11,090
	85,475	80,836

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

27 GEOGRAPHICAL CONCENTRATION OF INVESTMENTS (continued)

Investment income by segment

	2023	2022 (restated)
Equities	619	438
Bonds	1,261	810
Managed funds	373	(155)
Bank balances and short-term deposits	1,031	561
Investment properties	209	237
Gross investment income	3,493	1,891
Investment administration expenses	(52)	(59)
Investment properties' expenses	(202)	(180)
Net investment income	**3,239**	1,652

28 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

2023	**Associates**	**Key management personnel**	**Companies under Directors control**	**Total**
Insurance receivables	250	3	599	**852**
Other assets	13	-	-	**13**
Retirement and saving plan obligation	701	-	90	**791**
Insurance liabilities	135	-	898	**1,033**
Other liabilities	-	-	204	**204**

2022	Associates	Key management personnel	Companies under Directors control	Total
Insurance receivables	215	2	644	861
Other assets	25	-	-	25
Retirement and saving plan obligation	582	-	71	653
Insurance payables	325	-	58	383
Other liabilities	-	-	739	739

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

28 RELATED PARTIES (continued)

b) Transactions with related parties

2023	**Associates**	**Key management personnel**	**Companies under Directors control**	**Total**
Premiums received	610	11	1,809	**2,430**
Claims paid	387	1	332	**720**
Claims recovered	277	-	-	**277**
Retirement and saving plan contributions received	75	-	5	**80**
Retirement and saving plan benefits paid	23	-	-	**23**
General and administration expenses	246	1,386	214	**1,846**
Dividend received	974	-	-	**974**
Purchase of equipment	-	-	5	**5**

2022	Associates	Key management personnel	Companies under Directors control	Total
Premiums received	510	12	1,777	2,299
Claims paid	402	1	312	715
Claims recovered	202	-	-	202
Retirement and saving plan contributions received	89	-	5	94
Retirement and saving plan benefits paid	139	-	3	142
General and administration expenses	198	1,192	253	1,643
Dividend received	550	-	-	550
Purchase of equipment	-	-	73	73
Loan recovered	75	-	-	75
Loan paid	12	-	-	12

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:

	2023	2022
Salaries and allowances	619	621
Other benefits	492	335
Board remuneration and attendance fees paid	275	236

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

29 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.

31 December 2023	**FVTPL**	**FVOCI**	**Amortised cost**	**Financial liability**	**Total carrying value**	**Fair value**
Cash and cash equivalents	-	-	5,872	-	5,872	5,872
Financial investments						
- Debt securities	4,018	-	19,361	-	23,379	23,468
- Equity securities	116	21,405	-	-	21,521	21,521
- Managed funds	5,346	-	-	-	5,346	5,346
- Placements with banks	-	-	23,659	-	23,659	23,659
Total financial assets	**9,480**	**21,405**	**48,892**	**-**	**79,777**	**79,866**
Investment contract liabilities	-	-	-	1,737	1,737	1,737
Other liabilities	-	-	-	4,050	4,050	4,050
Total financial liabilities	-	-	-	**5,787**	**5,787**	**5,787**

31 December 2022 (restated)	FVTPL	FVOCI	Amortised cost	Financial liability	Total carrying value	Fair value
Cash and cash equivalents	-	-	5,806	-	5,806	5,806
Financial investments						
- Debt securities	4,231	-	24,061	-	28,292	28,009
- Equity securities	127	19,532	-	-	19,659	19,659
- Managed funds	7,536	-	-	-	7,536	7,536
- Placements with banks	-	-	14,259	-	14,259	14,259
Total financial assets	11,894	19,532	44,126	-	75,552	75,269
Investment contract liabilities	-	-	-	1,487	1,487	1,487
Other liabilities	-	-	-	4,251	4,251	4,251
Total financial liabilities	-	-	-	5,738	5,738	5,738

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023 *(In thousands of Bahraini Dinars)*

29 FAIR VALUE MEASUREMENT (continued)

1 January 2022 (restated)	FVTPL	FVOCI	Amortised cost	Financial liability	Total carrying value	Fair value
Cash and cash equivalents	-	-	4,947	-	4,947	4,947
Financial investments						
- Debt securities	3,246	-	8,541	-	11,787	11,904
- Equity securities	1,743	14,379	-	-	16,122	16,122
- Managed funds	9,908	-	-	-	9,908	9,908
- Placements with banks	-	-	21,739	-	21,739	21,739
Total financial assets	14,897	14,379	35,227	-	64,503	64,620
Investment contract liabilities	-	-	-	1,553	1,553	1,553
Other liabilities	-	-	-	4,231	4,231	4,231
Total financial liabilities	-	-	-	5,784	5,784	5,784

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.

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.

Notes to the Consolidated Financial Statements (Continued)

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29 FAIR VALUE MEASUREMENT (continued)

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

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
FVTPL	5,678	3,711	91	9,480	9,480
FVOCI – equity securities	18,753	2,652	-	21,405	21,405
	24,431	**6,363**	**91**	**30,885**	**30,885**

31 December 2022 (reviewed) (restated)	Level 1	Level 2	Level 3	Total	Carrying Value
FVTPL	6,239	5,562	93	11,894	11,894
FVOCI – equity securities	16,437	3,095	-	19,532	19,532
	22,676	8,657	93	31,426	31,426

1 January 2022 (reviewed) (restated)	Level 1	Level 2	Level 3	Total	Carrying Value
FVTPL	8,945	5,834	118	14,897	14,897
FVOCI – equity securities	10,672	3,707	-	14,379	14,379
	19,617	9,541	118	29,276	29,276

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

The following table shows a reconciliation from the opening balances to the closing balances for recurring fair value measurements in Level 3 of the fair value hierarchy and analyses the total gains and losses recognised in condensed consolidated profit or loss during the year.

	2023	2022
At the beginning of the year	93	118
Fair value losses	(2)	(25)
At the end of the year	**91**	93

The carrying amount of the Group's investments in debt securities at amortized cost equals BD 19,361 thousand (2022: BD 24,061 thousand) whereas the fair value of the investments is BD 19,272 thousand (2022: BD 24,344 thousand).

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

Notes to the Consolidated Financial Statements (Continued)

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30 COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group has commitments to make investments amounting to BD 202 thousand (2022: BD 276 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.

31 RECONCILIATION OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Lease liabilities:	**2023**	2022
Balance at 1 January	474	510
Cash flows from financing cash flows		
Payment of lease liabilities	(84)	(96)
Other changes		
New leases	-	26
Interest expense	29	34
	29	60
Balance at 31 December	**419**	474

32 COMPARATIVE

Certain corresponding figures of 2022 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.