BNH

Protecting Prosperity™

Crafting a **Sustainable Future**

ANNUAL REPORT 2022

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

The Crown Prince and Prime Minister

Delivering forward thinking
sustainable products and services

SCAN TO VIEW
DOCUMENT

Bahrain National Holding B.S.C.
Minutes of Annual Ordinary General Assembly
meeting held on 27th March 2022

SCAN TO VIEW
DOCUMENT

2022 ESG Report

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Group Overview

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

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

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

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

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

Vision

Creating prosperity through security.

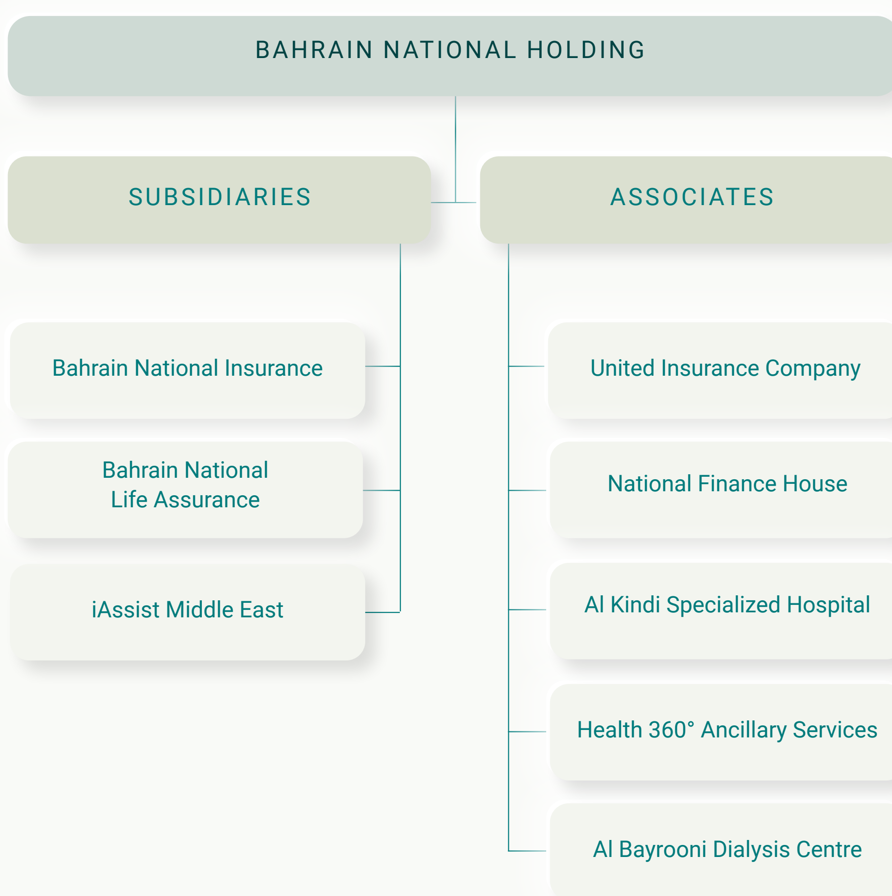
Mission

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

Values

Integrity, Excellence, Pioneering

Group Structure



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Financial Highlights

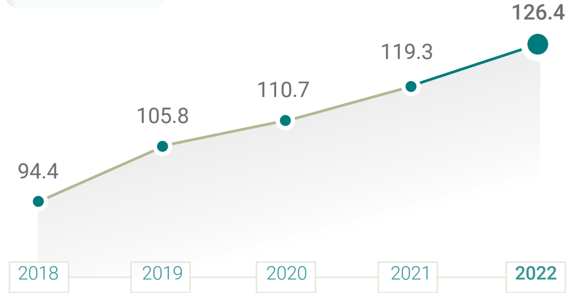
BNH Financial Highlights from 2018 to 2022

BHD millions

	2018	2019	2020	2021	**2022**
Gross premiums	33.6	33.8	36.7	39.9	**42.0**
Total Assets	94.4	105.8	110.7	119.3	**126.4**
Market Capitalisation	42.9	39.3	41.7	50.1	**53.0**
Total Equity	51.4	56.7	60.5	65.9	**67.9**
Net Earned Premiums	16.7	17.5	16.5	18.0	**18.8**
Net Profit	3.5	5.0	5.2	6.7	**7.0**
Earning per Share (in Fils)	29.4	42.6	43.8	56.7	**55.8**

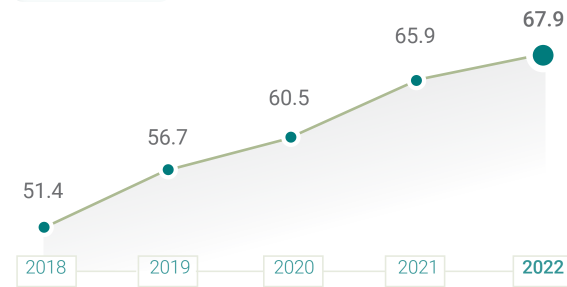
126.4m

TOTAL ASSETS
BHD MILLIONS



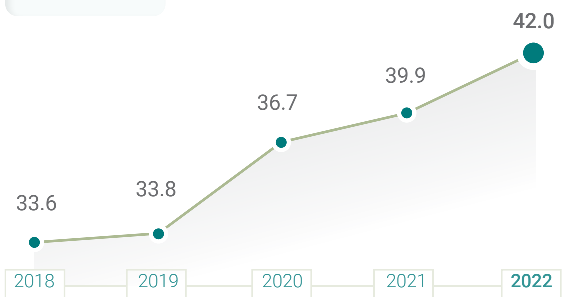
67.9m

TOTAL EQUITY
BHD MILLIONS



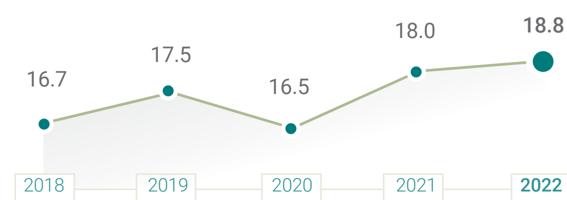
42.0m

GROSS PREMIUMS
BHD MILLIONS



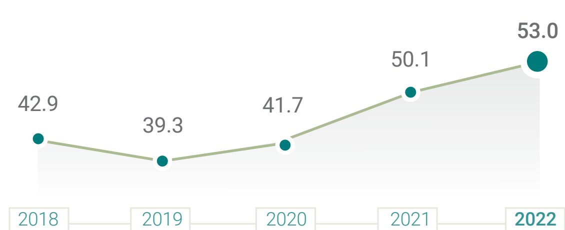
18.8m

NET EARNED PREMIUMS
BHD MILLIONS



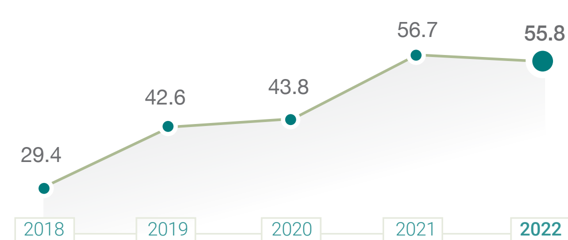
53.0m

MARKET CAPITALIZATION
BHD MILLIONS



55.8 Fils

EARNINGS PER SHARE
IN FILS



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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

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
- Vice 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 Nomination, Remuneration & Corporate Governance Committee (NRCG) - Bahrain National Holding Company (BNH) and Bahrain National Insurance Company (bni)

Board memberships in other companies

- Vice Chairmain 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

Board of Directors

Redha Abdulla Faraj

Director

Date of Appointment
Board Member since 2014

Status
Independent Non-Executive Director

Educational Background
Fellow of the Chartered Association of Certified Accountants (FCCA)

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

Board memberships in other companies

- Director at Y.K. Almoayyed and Sons B.S.C.(c), Bahrain
- Director at Almoayyed International Group, Bahrain
- Director at Almoayyed Contracting Group, Bahrain
- Director at National Concrete Company W.L.L., Bahrain
- Director at Banader Hotels Company B.S.C., Bahrain
- Director at National Finance House, Bahrain
- Director at Al Kindi Hospital, Bahrain
- Founder of Al Faraj Consulting Co. W.L.L., Bahrain
- Founder of Al Faraj Horizon Developments Co. W.L.L., Bahrain

Other key positions:

- Member of Shura Council
- Director at Minors Estate Guardianship Council Committee, Bahrain Chamber of Commerce

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)
- Director and Chairman of the Executive & Investment Committee (EIC) - Bahrain National Holding Company (BNH)

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 & Partner of Fakhroo Trading Agencies, Bahrain
- Director at Alkindi Specialized Hospital, Bahrain.
- Director at National Institute for Industrial Training, 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)
- 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
- Director at Wadi AlSalam Group
- Director at Life Marketing S.P.C., Bahrain
- Marketing Director of Mohamed Ali Zainal Abdulla (MAZA), Bahrain

Other key positions:

- Member of Commercial Arbitration Committee, Bahrain Chamber of Commerce

Talal Fuad Kanoo

Director

Date of Appointment
Board Member since 2008

Status
Non-Executive Director

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

Nationality
Bahraini

Board & 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

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Board of Directors

Ali Hasan Mahmood

Director

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

Status
Non-Executive Director

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

Nationality
Bahraini

Board & Committee memberships at BNH Group

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

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
- Director at Bahrain Standards and Metrology Directorate – Ministry of Industry, Commerce & Tourism, 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 Holding Company (BNH)

Board memberships in other companies

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

Aiming to play a vital role in promoting **sustainable economic and social development**

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Board of Directors' Report

Farooq Yusuf Almoayyed
Chairman of the Board

Dear Shareholders

On behalf of Bahrain National Holding BSC (BNH) Board of Directors, we are pleased to present the consolidated financial statements for the year ended 31 December 2022, which highlights the Group's annual performance.

Remarkable recovery from COVID-19

Bahrain has been a key beneficiary of the post-COVID economic recovery globally, thanks to the health preparedness and foresight of concerned authorities. This is even more creditable, as this has been achieved against the backdrop of relatively volatile global markets and continuing adherence to the Fiscal Balance Program.

Real GDP, after having shrunk by 4.9% in 2020, recovered by an estimated 2.2% in 2021 and a further 4.1% in 2022. It is heartening to observe the continuing shift of the economy into the non-oil sectors. Non-Oil Real GDP grew by 7.2% (Jan-Sep 2022) while the oil sector contracted 1.9%. Oil prices as well as production levels improved in the second half of 2022. Growth in non-oil sectors was underpinned by the services sectors, particularly hotels and transportation. A sharp jump in the number of travelers, via the causeway and the new airport, boosted tourism related revenues.

Major projects continued to make headway as the BAPCO refinery modernization program reached 87% completion levels in September 2022. Once commissioned, the project should boost oil production by 42%, at a time of relatively stable oil prices. Progress with 2 additional unconventional gas finds and the Tatweer tender for oil pipelines lay strong foundations for the future development of the oil and gas sector in Bahrain. Infrastructure projects funded by the GCC

"We are happy to report that we have surpassed that milestone in 2022, having recorded a Net Profit of BD 7.0M, a growth of 4.9%."

Development Fund climbed by 5.2% to a cumulative USD 6.1 billion. Most projects focused on enhancing social housing and boosting the road infrastructure. Even as the metro project is at an advanced stage, the financial feasibility for additional infrastructure projects, like the USD 3.5 billion King Hamad Causeway has been completed. In line with the Sustainable Development Goals of Bahrain, ALBA has embarked on the feasibility study for a more environmentally friendly line 7, to replace old lines. This is apart from the progress with a large residual waste treatment plant and incineration project.

International debt markets have noted the improvement in the current account balance along with lower debt issuance in 2022, and progress towards fiscal stability, allowing Bahrain to successfully raise USD 0.9 billion. Credit rating agencies have either held Bahrain's rating steady or improved their outlook, allowing continued access to debt markets at competitive rates.

BNH Financial Performance

Last year, we had reported that your Group had achieved a milestone by registering a recorded Net Profit of BD 6.7 million and we are happy to report that we have surpassed that milestone in 2022, having recorded a Net Profit of BD 7.0 million, a growth of 4.9%.

Underwriting performance was flat despite the revival of claims trends on rapidly increasing economic activity. Sharp drops in claims ratios witnessed in 2020 and 2021 were exceptional and we had anticipated this to revert to mean. However, careful underwriting, conservative reserving and claims control helped us maintain net claims ratios in line with 2021.

Growth in mortgage lending powered our Life insurance portfolio. Medical and General insurance also showed positive momentum on improving business activity. Motor insurance, however continued to be under pressure with premiums falling by 5%, due to lower new car sales. The lingering after-effects of the pandemic on international logistics and semiconductor availability impacted new car sales. Despite this challenging situation, motor continues to be a profitable and important line for the Group. Property and General insurance, particularly liability insurance witnessed strong growth. While medical premiums growth was attributable to larger renewals and a stable portfolio of core large accounts, supported by profitable SME portfolio. As you might recall, a rise in COVID related claims drove weakness at the underwriting level for Life segment in 2021. However, this segment staged a smart turn-around on improved pricing as well as lower claims.

The year was marked by the launch of several new products like Nmou, a special

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Board of Directors' Report (Continued)

medical insurance product targeting the thriving Small and Medium-sized Enterprises (SME) sector by Bahrain National Life Assurance (bnl). Bahrain National Insurance (bni) launched several new and innovative products during 2022. These include the first "pay per mile" affordable car insurance product based on driver mileage, cover for emerging segments like Electric Cars and Food Trucks. The latter, combines commercial automobile coverage for trucks with restaurant business owner policy. Other new product initiatives include, solar panel insurance, an exclusive cybersecurity and risk mitigation cover for corporate. bni also launched "Reyada", a program which offers start-ups competitively priced and customizable product bundles that addresses key exposures such as professional liability and cybersecurity amongst others.

Investment markets were volatile during 2022, driven by the US Federal Reserve and economic data on labor and inflation. Other major drivers of the markets were China's COVID lock-downs and the impact of the Ukraine war on commodities and energy prices. The region outperformed the rest of the world, particularly in the first half of 2022, but succumbed to international sentiments in the second half.

Net Investment Income in 2022 reached a record BD 3.9 million, 16% higher than 2021. While we had already started 2022 with higher-than-normal cash levels, we de-risked the portfolio and tactically parked the proceeds in fixed deposits and local treasury bills taking advantage of the relative yield pick-up and better risk adjusted returns. Private equity distributions were stronger, despite the pressure of reduced valuations. Our associates' performance improved, if adjusted for the reclassification of Arabian Shield Insurance, KSA from associate to available for sale category. The volatile share price action in Arabian Shield, was partly transferred the Group's reported profits, resulting in a gain on reclassification of BD 5.9 million offset by impairment losses of BD 5.7 million, resulting in a net gain of BD 0.2 million.

The Group continues to be conservatively reserved, with net technical reserves at a healthy 90.3% of net earned premium. The Group's shareholder equity has grown by 3.1% during the year to BD 67.9 million.

Looking ahead, our region is relatively sheltered from the increasing global uncertainties. However, we must be prepared for any potential challenges. We foresee rising cost pressures on transition to IFRS 17 and IFRS 9 accounting standards, which go into effect from January 2023. We are happy to report that your Group's subsidiaries successfully carried out two dry runs to test readiness as well as address any gaps. The overall estimated impact on the equity has been positive for both subsidiaries, although the changed accounting for profit on sale of investment securities will impact reported investment income, going forward. The board and management have taken necessary steps to ensure that the Group's portfolio and investment income is resilient in light of these changes. We believe that the new standards will enhance comparable presentation of insurance companies' performance, enhancing shareholder information and overall transparency.

A focus on the future - BNH Initiatives

We have been growing at an incredible pace over the last four quarters. We added talented Bahrainis to the BNH family and strengthened our leadership team to fuel the next wave of growth. With our strong belief in upgrading the skill quotient of our teams, BNH has successfully trained staff in various skills to contribute to their career growth. Our investments in platforms, tools, and training are focused on strengthening the capabilities of our teams.

BNH is committed to transforming our Group's culture to support our vision of creating prosperity through security. The Group has taken significant steps towards institutionalizing sustainability, including the formation of an ESG committee and implementation of an ESG policy to improve accountability, transparency, and trust with stakeholders. BNH has also developed a 3-year ESG strategy which aligns with the four pillars of its ESG framework and focuses on three thematic areas related to insurance, governance, and disclosure. The Group aims to play a vital role in fostering sustainable economic and social development in line with Bahrain's Economic Vision 2030, and to incentivize the adoption of sustainable practices across its subsidiaries and associates.

We would also like to announce the retirement of the Group Chief Executive Officer, Mr. Sameer Al Wazzan, after serving our Group for the past 9 years. He has successfully overseen the steady growth of the Group during a period marked by various challenges. On behalf of the board, I would like to place on record our deep appreciation and thanks to Mr. Al Wazzan and wish him the very best in his future endeavors. He will be succeeded by Mr. Raed Abdulla Fakhri, who brings on-board years of investment and senior level experience at reputed organizations internationally and in Bahrain. We are confident that he will lead the Group to even greater heights.

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Board of Directors' Report (Continued)

Remunerations of the Board members and senior executives

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

	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	Bonus	Incentive plans	Others**	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
Independent Directors:													
Farooq Yusuf Almoayyed	–	6,200	–	2,367	8,567	20,000	–	–	–	20,000	–	28,567	–
Jehad Yusuf Amin	–	9,300	–	514	9,814	10,000	–	–	–	10,000	–	19,814	–
Ayad Saad Algosaibi	–	10,200	–	514	10,714	10,000	–	–	–	10,000	–	20,714	–
Redha Abdulla Faraj	–	8,300	–	1,382	9,682	15,000	–	–	–	15,000	–	24,682	–
Non-Executive Directors:													
Abdulhusain Khalil Dewani	–	6,000	–	1,790	7,790	10,000	–	–	–	10,000	–	17,790	–
Abdulrahman Mohamed Juma	–	7,500	–	1,790	9,290	10,000	–	–	–	10,000	–	19,290	–
Sami Mohamed Sharif Zainal	–	8,300	–	514	8,814	10,000	–	–	–	10,000	–	18,814	–
Ghassan Qassim Fakhroo	–	9,000	–	514	9,514	10,000	–	–	–	10,000	–	19,514	–
Ali Hasan Mahmood	–	5,900	–	1,382	7,282	10,000	–	–	–	10,000	–	17,282	–
Talal Fuad Kanoo	–	5,000	–	514	5,514	10,000	–	–	–	10,000	–	15,514	–
Total	**–**	**75,700**	**–**	**11,280**	**86,980**	**115,000**	**–**	**–**	**–**	**115,000**	**–**	**201,980**	**–**

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	558,523	205,000	12,000	775,523

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 (insert the value) (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 2022.

Farooq Yusuf Almoayyed
Chairman of the Board

Abdulhussain Khalil Dewani
Vice Chairman of the Board

21 February 2023

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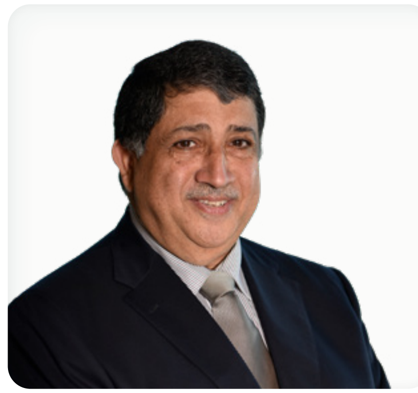
Executive Management

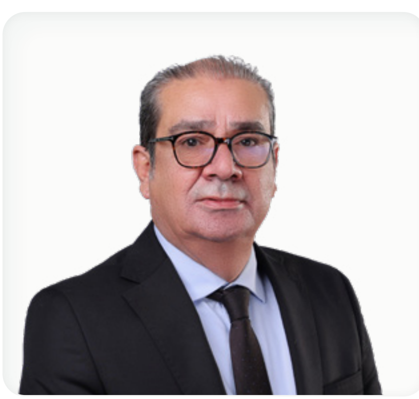


Sameer AlWazzan

Group Chief Executive Officer*
(Retired on 13th February 2023)

Raed Abdulla Fakhri

Group Chief Executive Officer*
(Joined on 14th February 2023)

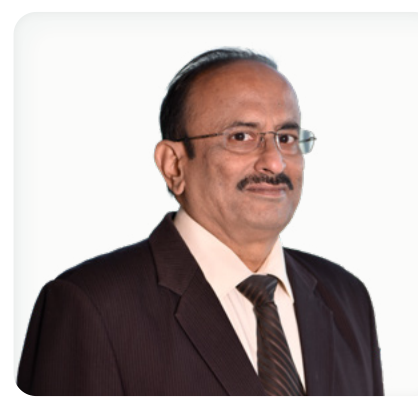


Masood Bader

Group Deputy Chief Executive Officer*

Anand Subramaniam

Group Chief Investment and Financial Officer*



Anantha Ramani

Senior Manager - Finance

*NOTE: Profiles on pages (22-23)

Mohsen Ali

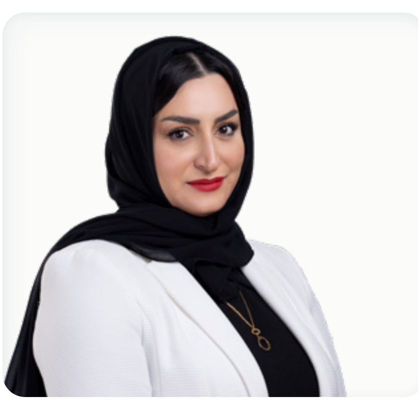
Senior Manager - Finance

Bashayer Dhaif

Senior Manager - Corporate Communication & ESG Officer

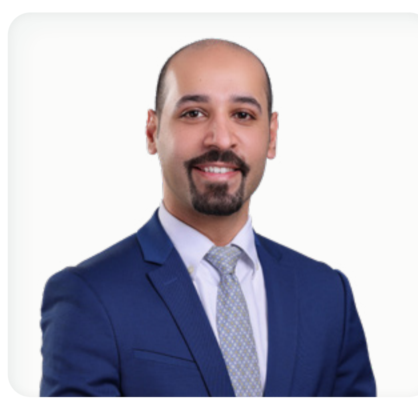
Sami Askar

Senior Manager - Information Technology & Digital Transformation



Maryam AlAhmed

Senior Manager - Human Capital



Abdulla Rawanbakhsh

Assistant Manager - Internal Audit

Fatima AlEmadi

Board Secretary and Legal Counsel

Executive Management (Continued)

Sameer AlWazzan

Group Chief Executive Officer *(Retired on 13th February 2023)*
Bahrain National Holding

An internationally recognized Veteran of the insurance industry for over three decades. He started his insurance career in the year 1982. Mr. Sameer AlWazzan is the Board Chairman and Chairman of NRCG Committee of United Insurance Company; Board Vice-Chairman, Member of NRCG Committee and Member of Executive Committee of Arabian Shield Cooperative Insurance Company (KSA); Board Member and Member of Executive Committee of National Finance House.

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

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

He was also the Vice-Chairman of Arab World Risk Insurance Syndicate (AWRIS), Independent Board Member at Al Madina Insurance Company – Oman, Doha Bank Assurance Company – Qatar, Saudi National Insurance Company (SNIC).

Mr. Sameer has received several awards in the field of insurance, in 2006 he was honored with the Leadership Award in Insurance at the '3rd Middle East Insurance Forum' which was organized by Al-Iktissad Wal-Aamal Group in partnership with the Central Bank of Bahrain and in cooperation with the Bahrain Insurance Association. He was also named the Top CEO in the Insurance industry in the GCC at the Top CEO Conference and Awards ceremony held in Dubai in 2022.

Mr. AlWazzan completed Management Studies from renowned institutions including Stanford University, California, USA, Manchester Business School, UK, Swansea Polytechnic, UK, Huddersfield Polytechnic, UK and University of Bahrain. He joined BNH as Group Chief Executive on 2nd January 2014 till date.

Raed Abdulla Fakhri

Group Chief Executive Officer *(Joined on 14th February 2023)*
Bahrain National Holding

Mr. Raed Abdulla Fakhri joins the Group with over 28 years of experience in Investments, Business Development & Engineering. Prior to his recent position as an Advisor of Local Impact Investments at Mumtalakat, and held several senior leadership roles, including Managing Director of Local Impact Investments and Vice President of Investments at Mumtalakat, Investment Director at Capivest Investment Bank, Senior Manager at Batelco, and Engineer at Gulf Petrochemical Industries Company. He is also the Co-Founder of BDI Partners, which was established in 2010; he has headed the firm as its Managing Director.

Mr. Fakhri served on various boards throughout his career, such as the Boards of Gulf Air Group and The Cranemere Group. Currently, he serves on the boards of Investrade, American University of Bahrain and holds the position of Deputy Chairman at Batelco.

He holds an Executive MBA from the University of Bahrain and a Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, Orlando, Florida, USA.

Masood Bader

Group Deputy Chief Executive Officer
Bahrain National Holding

Masood Bader joined bni in 2010, bringing 25 years of insurance and reinsurance experience to the company. An accounting major, he started his career as a Claims Assistant with Arab Insurance Group (ARIG), working his way up to Executive Manager in charge of an international portfolio of Marine and Energy. In the six years prior to joining bni, he worked as an Insurance and Reinsurance Broker, first for Arthur J. Gallagher Middle East as Regional Director, and then for AON Middle East as Vice President. Mr. Masood has held several positions within the Group including Assistant General Manager of bni, General Manager of bni, acting Deputy CEO at BNH and in 2020 he was appointed Deputy CEO of the Group. He currently holds board memberships in iAssist Middle East.

Anand Subramaniam

Group Chief Investment & Financial Officer
Bahrain National Holding

Anand Subramaniam has over 24 years of experience in the field of investments and asset management. He holds a Chartered Financial Analyst designation from the CFA Institute, USA and an MBA and BBA from Sardar Patel University, Gujarat, India. He also holds a Chartered Alternative Investment Analyst designation from the CAIA Association, USA. Prior to joining BNH, he was the Head of Investments at Bahraini Saudi Bank BSC and a Fund Manager at TAIB Bank BSC. He has previously worked with Fincorp SAOG as VP-Asset Management and Oman Arab Bank as an Investment Officer. He started his career as an equity researcher in India focusing on the IT, banking and cement sectors. He joined BNH in 2010, where he is responsible for managing the group's investment portfolio and overseeing the groups' finance functions.

He currently holds board memberships in Health 360° Ancillary Services W.L.L , iAssist Middle East and Al Bayrooni Dialysis Clinic.

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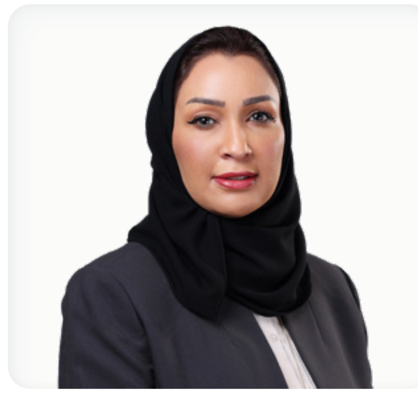
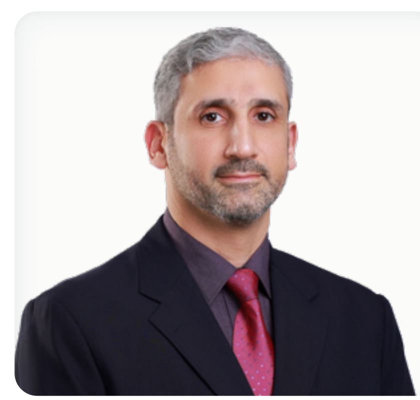
Executive Management (Continued)



Eman Mojali
Chief Executive Officer

Rayan Al Mahmood
Deputy Chief Executive Officer
- Business Development

Mohamed Al Meraj
Chief Officer - General Insurance

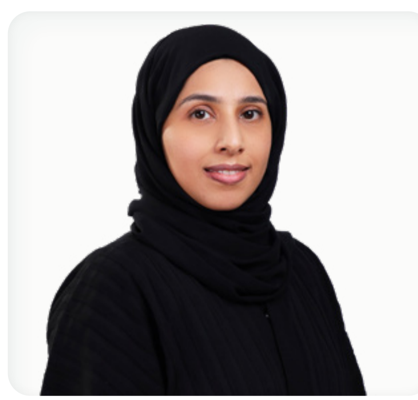


Hasan Ali Al Shehabi
Senior Manager - Survey & Claims

Faisal Isa Hussain
Manager – Risk, Compliance and MLRO

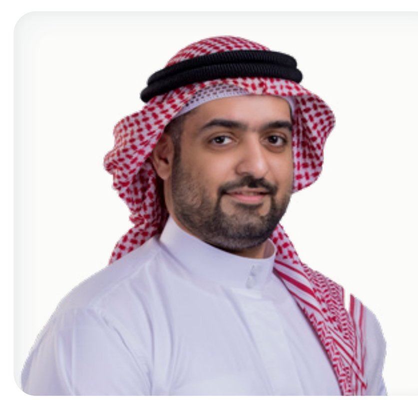
Enas Asiri

Chief Executive Officer



Eman AlGhanami

Medical Insurance Senior Manager



Omar Al Aseeri

Life Insurance Senior Manager

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The dedication
of the Board of Directors, Executive Management and all employees, contributed to achieving record profits

Chief Executive Officer's Report

Sameer AlWazzan

Dear Shareholders

I am pleased to present to you the Annual Report of Bahrain National Holding for the fiscal year ended December 31, 2022.

Following the significant reduction in the severity of the COVID-19 pandemic, life gradually started returning to the normal rhythm prior to the pandemic, encouraging the resumption of economic activities. Positive impacts were noted in many sectors, most prominently the tourism sector and its related economic activities, as well as the insurance sector. However, global events, particularly the Russian-Ukrainian war, have contributed to an environment of raised prices, causing the cost of many products to hike to the detriment of numerous sectors. Despite of these adverse events, the Group was able to successfully manage its activities in a technical and professional manner, thanks to the dedication of its Board of Directors, Executive Management, and all employees, who contributed to achieving record-high profits, the highest in the history of the Group. The net profits reached a total of BD 7.0 million, an increase from BD 6.7 million recorded in 2021. This was due to the strong performance of the Group's subsidiaries, including Bahrain National Insurance and Bahrain National Life Assurance, as well as other Group's associated companies. The strong performance of the investment portfolio also played an integral role in achieving these striking results.

Group Financial Performance

The gross insurance premiums grew by 5.3% reaching to BD 42.0 million compared to BD 39.9 million in 2021. Net earned premiums increased to BD 18.8 million compared to BD 18.0 million in 2021. Net underwriting profits was flat at BD 4.1 million despite the slight increase in the claims trends on increasing economic activities. The net profit for the year increased to BD 7.0 million compared to BD 6.7 million in 2021.

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Chief Executive Officer's Report
(Continued)

Financial Performance of Bahrain National Insurance

The Gross insurance premiums increased by 1% to BD 27.2 million compared to BD 27.0 million in 2021. As for net earned premiums, it remained flat to the figure achieved in 2021 at BD 12 million. Net underwriting profits was BD 3.2 million compared to BD 3.7 million in 2021. The net profit for the year reached BD 5.5 million compared to BD 5.6 million in the previous year.

During the year, Bahrain National Insurance launched new and unique products that were offered for the first time in Bahrain. These include Pay-Per-Mile car insurance, Food Truck insurance, and 'Reyada', a program that provides start-ups with a customised insurance solution packaged with inclusive coverage against professional liability, cyber risks and more, tailored to suit the nature of these companies.

Financial Performance of Bahrain National Life Assurance

The Gross insurance premiums recorded decent growth, reaching BD 15.0 million compared to BD 13.1 million in 2021. Net earned premiums increased to BD 7.0 million compared to BD 6.1 million last year. Net underwriting profit marked a significant increase of 111%, reaching to BD 771 thousand compared to BD 366 thousand in 2021. Net profit for the year increased to BD 1.8 million compared to BD 1.2 million in 2021.
During the year, Bahrain National Life Assurance launched 'Nmou', a comprehensive healthcare plan for SMEs that helps to maintain a healthy and productive workforce compatible with their financial requirements.

Environmental, Social and Corporate Governance (ESG)

Over the past two years, the Group has made significant progress towards the institutionalisation of sustainability. The formation of an ESG Committee demonstrates our commitment to tracking and managing the Group's sustainability endeavours. As we strive to comply with the best international practices, we have developed an ESG Policy to help the Group build accountability, transparency, and trust with all its stakeholders. Parallel to these efforts, we have made great strides to further consolidate sustainability in the Group's culture and decision-making processes. In this regard, we have developed an ESG strategy that details the means to invest and operate in a manner that leads to a more sustainable future. Our strategic plan for the next three years is aligned with the four pillars of the ESG framework and takes into account three topical areas related to insurance, governance and disclosure. The strategy outlines key objectives and commitments of each pillar and describes the Group's plans to tackle the most essential issues in the coming years. As we grow in our journey of sustainability, we aim to play a vital role in promoting sustainable economic and social development in the Kingdom in line with Bahrain Economic Vision 2030.

A special section of the Annual Report showcases our values of integrity, excellence, and leadership.

Economic Forecasts

Under the leadership of His Majesty King Hamad bin Isa Al Khalifa and the support of His Royal Highness the Crown Prince and Prime Minister, we witness numerous initiatives that support the economic development, create job opportunities, and elevate competencies and performance. These initiatives are led by ambitious young ministers who strive to place the Kingdom of Bahrain on the map of economic activity and encourage international conferences, exhibitions, and events, which will undoubtedly contribute to advancing the development despite the unstable global conditions. The Board of Directors and the Executive Management are coordinating in developing the Group's work mechanism, and we are ready to face challenges and work as a team in providing the best services and achieving the anticipated results.

This report is the last before my retirement. I was very pleased to be part of this distinguished organisation under the admirable leadership of Farouk Yousuf Almoayyed and all the members of the Board of Directors, to whom I express gratitude and appreciation for their unlimited support during my tenure in the Group. I also thank all employees of the Group who are like a big family to me and extend my thanks to all our clients for their loyalty and trust in the Group. The leadership of the Group will be assumed by Mr. Raed Abdulla Fakhri, an experienced and competent individual, known for his successful achievements, and I am confident that he is the right person to continue the Group's march and lead it to higher and greater achievements and new and developed visions. I wish him every success in the years ahead and I am confident that you will extend the same support to him.

Sameer AlWazzan
Group Chief Executive Officer
(Retired on 13th February 2023)

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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

Al Bayrooni Dialysis Centre

Established: **2021**

Paid-up capital: **BD0.25 million**

BNH share: **24%**

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

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Promoting an **innovative work environment**

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 2022.

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	Bahraini	56.055%	28.027%	0.229%	84.311%
2	Arab	2.049%	13.138%	-	15.188%
3	Others	0.047%	0.454%	-	0.501%
4	**Total**	**58.151%**	**41.619%**	**0.229%**	**100.000%**

Corporate Governance (Continued)

Description of shareholders according to their Nationality

Nationality	No of shareholders	No of shares	% of shareholding
BAHRAINI	652	100,478,485	84.3117%
EMARATI	4	81,500	0.0684%
KUWAITI	2	15,133	0.0127%
QATARI	2	4,318	0.0036%
SAUDI	8	2,374,660	1.9926%
INDIAN	3	56,127	0.0471%
IRAQI	3	15,617,467	13.1047%
MOROCCON	1	6,158	0.0051%
EGYPTION	1	543	0.0005%
VIRGIN ISLANDS (BRITISH)	1	540,609	0.4536%
Total	**677**	**119,175,000**	**100.0000%**

Description of shareholders according to their respective shareholding

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	495	6,187,148	5.192%
2	50,000 to 500,000	131	22,371,489	18.772%
3	500,001 to 5,000,000	49	75,181,790	63.085%
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	6.552%	NA	Iraqi
2	Abdulhameed Zainal Mohamed Zainal	7,625,839	6.399%	NA	Bahraini

The Board

BNH's Board of Directors consists of 10 non-executive members, who were elected and approved by the Central Bank of Bahrain in April 2020 for a term of 3 years. The Board of Directors is elected by the shareholders, in order to represent the shareholders and protect the shareholders' rights and interests. Following the Board of Directors' election, each member has signed a Letter of Appointment, setting out the terms of the tenure, duties and responsibilities, remuneration, attendance fees, code of conduct, and confidentiality that is associated with such 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 -12).

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 2022, four 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.

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Corporate Governance (Continued)

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 Commerce and Industry 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.

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
10	10	100%	-	-

- In the last election of 2020, there was a female nominee who ran for a seat on the Board, but did not receive enough votes to secure the position.
- Term termination is due in March 2023. The Group is welcoming all nominees/participations of both genders in the upcoming elections.

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Corporate Governance (Continued)

Ownership of BNH shares by the Board of Directors and Executive Management – from January to December 2022

Name of Shareholder	Title	Number of Shares As At 01/01/2022	Number of Shares As At 31/12/2022	Changes
Directors				
Farooq Yusuf AlMoayyed	Chairman	1,395,792	1,395,792	-
Abdulhusain Khalil Dewani	Vice Chairman	1,427,152	1,427,152	-
Abdulrahman Mohamed Juma	Board Member	687,794	730,398	42,604
Jehad Yusuf Amin	Board Member	3,330,192	3,487,762	157,570
Ali Hasan Mahmood	Board Member	530,881	530,881	-
Ayad Saad AlGosaibi	Board Member	105,000	105,000	-
Sami Mohamed Sharif Zainal	Board Member	64,058	64,058	-
Talal Fuad Kanoo	Board Member	152,037	152,037	-
Ghassan Qasim Fakhroo	Board Member	105,000	105,000	-
Executive Management				
Sameer Alwazzan	Group CEO	114,741	114,741	-

Description of the transactions made by the directors, their spouses, and their sons on the Group's shares during the year 2022

#	Name	Position/kinship	Shares held as at 31/12/2022	Total sale transaction	Total purchase transaction
1	Abdulrahman Mohamed Juma	Board Member	730,398	NA	42,604
2	Jehad Yusuf Amin	Board Member	3,487,762	NA	157,570

Directors' Attendance at Board Meetings in 2022

Board members	Title	Meeting No. 1 23-Feb	Meeting No. 2 12-May	Meeting No. 3 27-Jul	Meeting No. 4 9-Nov	Meeting No. 5 6-Dec	Attendance %
Farooq Yusuf Almoayyed	Chairman (Independent Non-Executive Director)	✓	✓	✓*	✓	✓	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)	✓	✓	✓*	✓	✓	100%
Ghassan Qasim Fakhroo	Board Member (Non-Executive Director)	✓	✓	✓	✓	✗	80%
Talal Fuad Kanoo	Board Member (Non-Executive Director)	✓	✓	✗	✓	✓	80%
Ali Hasan Mahmood	Board Member (Non-Executive Director)	✓	✓	✓*	✗	✗	60%
Redha Abdulla Faraj	Board Member (Independent Non-Executive Director)	✓	✓	✓	✓	✓	100%

* attended remotely

- 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 five meetings during the year 2022.

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Corporate Governance (Continued)

Description of the remunerations including sitting fees paid to the directors for their membership and attendance of the Board and Board's committees in the financial year 2022 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	Bonus	Incentive plans	Others**	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
Independent directors:													
Farooq Yusuf Almoayyed	-	6,200	-	2,367	8,567	20,000	-	-	-	20,000	-	28,567	-
Jehad Yusuf Amin	-	9,300	-	514	9,814	10,000	-	-	-	10,000	-	19,814	-
Ayad Saad Algosaibi	-	10,200	-	514	10,714	10,000	-	-	-	10,000	-	20,714	-
Redha Abdulla Faraj	-	8,300	-	1,382	9,682	15,000	-	-	-	15,000	-	24,682	-
Non-Executive Directors:													
Abdulhusain Khalil Dewani	-	6,000	-	1,790	7,790	10,000	-	-	-	10,000	-	17,790	-
Abdulrahman Mohamed Juma	-	7,500	-	1,790	9,290	10,000	-	-	-	10,000	-	19,290	-
Sami Mohamed Sharif Zainal	-	8,300	-	514	8,814	10,000	-	-	-	10,000	-	18,814	-
Ghassan Qassim Fakhroo	-	9,000	-	514	9,514	10,000	-	-	-	10,000	-	19,514	-
Ali Hasan Mahmood	-	5,900	-	1,382	7,282	10,000	-	-	-	10,000	-	17,282	-
Talal Fuad Kanoo	-	5,000	-	514	5,514	10,000	-	-	-	10,000	-	15,514	-
Total	**-**	**75,700**	**-**	**11,281**	**86,981**	**115,000**	**-**	**-**	**-**	**115,000**	**-**	**201,981**	**-**

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 (insert the value) (if any).

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 2022

Board members	Title	Meeting No. 1 15-Feb	Meeting No. 2 9-May	Meeting No. 3 26-Jul	Meeting No. 4 6-Nov	Attendance %	Sitting Fees per Meeting (BD)**	Aggregate Sitting Fees (BD)
Redha Abdulla Faraj	Chairman (Independent Non-Executive Director)	✓	✓	✓	✓	100%	600	2,300
Ayad Saad AlGosaibi	Vice Chairman (Independent Non-Executive Director)	✓*	✓	✓*	✓	100%	500	1,900
Abdulrahman Mohamed Juma	Member (Non-Executive Director)	✗	✓	✓*	✓	75%	500	1,500
Ali Hasan Mahmood	Member (Non-Executive Director)	✓*	✓*	✗	✗	50%	500	900

* attended remotely.

** The committee sitting fees has been increased by BD100 per meeting up from its previous rate by a Board resolution on 23rd February 2022.

- Mr. Redha Abdulla Faraj 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 2022.

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 2022

Board members	Title	Meeting No. 1 25-Jan	Meeting No. 2 6-Feb	Meeting No. 3 25-Apr	Meeting No. 4 5-Jun	Meeting No. 5 27 & 28 - Jun	Meeting No. 6 12 & 13 - Oct	Meeting No. 7 4-Dec	Attendance %	Sitting Fees per Meeting (BD)**	Aggregate Sitting Fees (BD)
Ghassan Qasim Fakhroo	Chairman (Non-Executive Director)	✓	✓*	✓	✓	✓	✓	✓	100%	600	4,000
Sami Mohamed Sharif Zainal	Vice Chairman (Non-Executive Director)	✓	✓*	✓	✓	✓	✓	✓	100%	500	3,300
Jehad Yusuf Amin	Member (Independent Non-Executive Director)	✓*	✓*	✓	✓	✓	✓	✓	100%	500	3,300
Ayad Saad AlGosaibi	Member (Independent Non-Executive Director)	✓	✓*	✓	✓	✓*	✓	✓	100%	500	3,300

* attended remotely.

** The committee sitting fees has been increased by BD100 per meeting up from its previous rate by a Board resolution on 23rd February 2022.

- 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 seven meetings during the year 2022.

Nomination, Remuneration & Corporate Governance Committee (NRCG)

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 NRCG Meetings in 2022

Board members	Title	Meeting No. 1 23-Feb	Meeting No. 2 6-Dec	Attendance %	Sitting Fees per Meeting (BD)	Aggregate Sitting Fees (BD)
Farooq Yusuf AlMoayyed	Chairman (Independent Non-Executive Director)	✓	✓	100%	600	1,200
Abdulhusain Khalil Dewani	Vice Chairman (Non-Executive Director)	✓	✓	100%	500	1,000
Jehad Yusuf Amin	Member (Independent Non-Executive Director)	✓	✓	100%	500	1,000
Redha Abdulla Faraj	Member (Independent Non-Executive Director)	✓	✓	100%	500	1,000
Abdulrahman Mohamed Juma	Member (Non-Executive Director)	✓	✓	100%	500	1,000

- Mr. Farooq Yusuf AlMoayyed is the Chairman of the NRCG.
- The NRCG is required to meet at least twice a year.
- BNH's NRCG held two meetings during the year 2022.

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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 Corporate 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 27th March 2022, 9 Directors attended the AGM via Zoom video-conference due to COVID-19 precautionary measures and governmental directives on limiting social contact. 30% dividends were paid to shareholders for the year ending 2021.

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 2022.

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 on page (20).

The total of the top 6 remunerations paid in 2022 to the key Management staff including salaries, privileges, allowances and annual bonus: BD 775,523

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	558,523	205,000	12,000	775,523

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

- Masood Bader, Deputy 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
- Anantha Ramani, Senior Manager - Finance, BNH – Member
- Mohsen 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, Assistant Manager - Internal Audit, BNH – Member
- Husain Mubarak, Facility Manager, BNH – Member (Resigned, September 2022) - Mohammed Husain, Property Assistant, BNH – Member (joined)
- Esther Pinto, Personal Assistant to the Group Chief Executive Officer, BNH – Committee Secretary

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

- Sameer Alwazzan, Group Chief Executive Officer, BNH - Chairman
- Masood Bader, Deputy Group Chief Executive Officer, BNH - Member
- Anand Subramaniam, Group Chief Investment and Financial Officer, BNH – Member
- Eman Mojali, Chief Executive Officer, bni – Member
- Enas Asiri, Chief Executive Officer, bnl – Member
- Mohamed Al Abbasi, Senior Manager - Compliance & AML , bni – Member (Resigned, August 2022)
- Sami Askar, Senior Manager - Information Technology & Digital Transformation, BNH – Member
- Abdulla Rawanbakhsh, Assistant Manager - Internal Audit, BNH – Member
- Faisal Husain, Manager – Risk, Compliance and MLRO, bni - Committee Secretary

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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.

Membership:

- 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 - Manager – Risk, Compliance and MLRO, bni - Member
- Husain Mubarak - Facility Manager, BNH - Member (Resigned, September 2022) – Mohammed Husain, Property Assistant, BNH – Member (Joined)
- Maryam Abdulla - Senior Officer – 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 2021 external auditors' report in 2022 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, which went live during 2022; 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.

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 2022 individual and consolidated financial statements, the auditor's review of the 2022 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.

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Corporate Governance (Continued)

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

Audit and non-audit fees paid by the Group for 2022

	Amount
Audit and review fees	63,854
Non-audit fees	11,100

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 2022, BNH continued to regularly review and update all key policies and procedures manuals, covering critical operational areas in the Group's subsidiaries and across all functions of the organization.

Directors & Officers Liability Insurance

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

Key Persons Trading

The Group's compliance with the latest Key Persons Trading regulations of the Central Bank of Bahrain is supervised by the ACRC which reports to the Board of Directors. The Group has submitted its Internal Audit report for the year 2022 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 or any other regulatory authorities 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.

Corporate Governance (Continued)

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.

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 2022 are disclosed in Note 35 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 compliance with principle 1 of the Corporate Governance Code 2018 and there is no conflict of interests between their other directorships and that of the Group.

Changes in HC Module during 2022

Based on CBB Rulebook quarterly updates on Volume 6, High Level Controls Module for Capital Markets has witnessed the below summary of changes:

- HC-1.3.5 – The Board must have a composition of no less than 5 members and take into consideration the representation of women in the formation of the board. Statistics regarding the composition should be disclosed accordingly.
- HC-8.3.3 – Companies must disclose in its annual report the percentage of women and men on the board, where the absence of representation either women or men must be stated.

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	20-March-2022	Tel: 17587308 Email: amina.bushaar@bnhgroup.com

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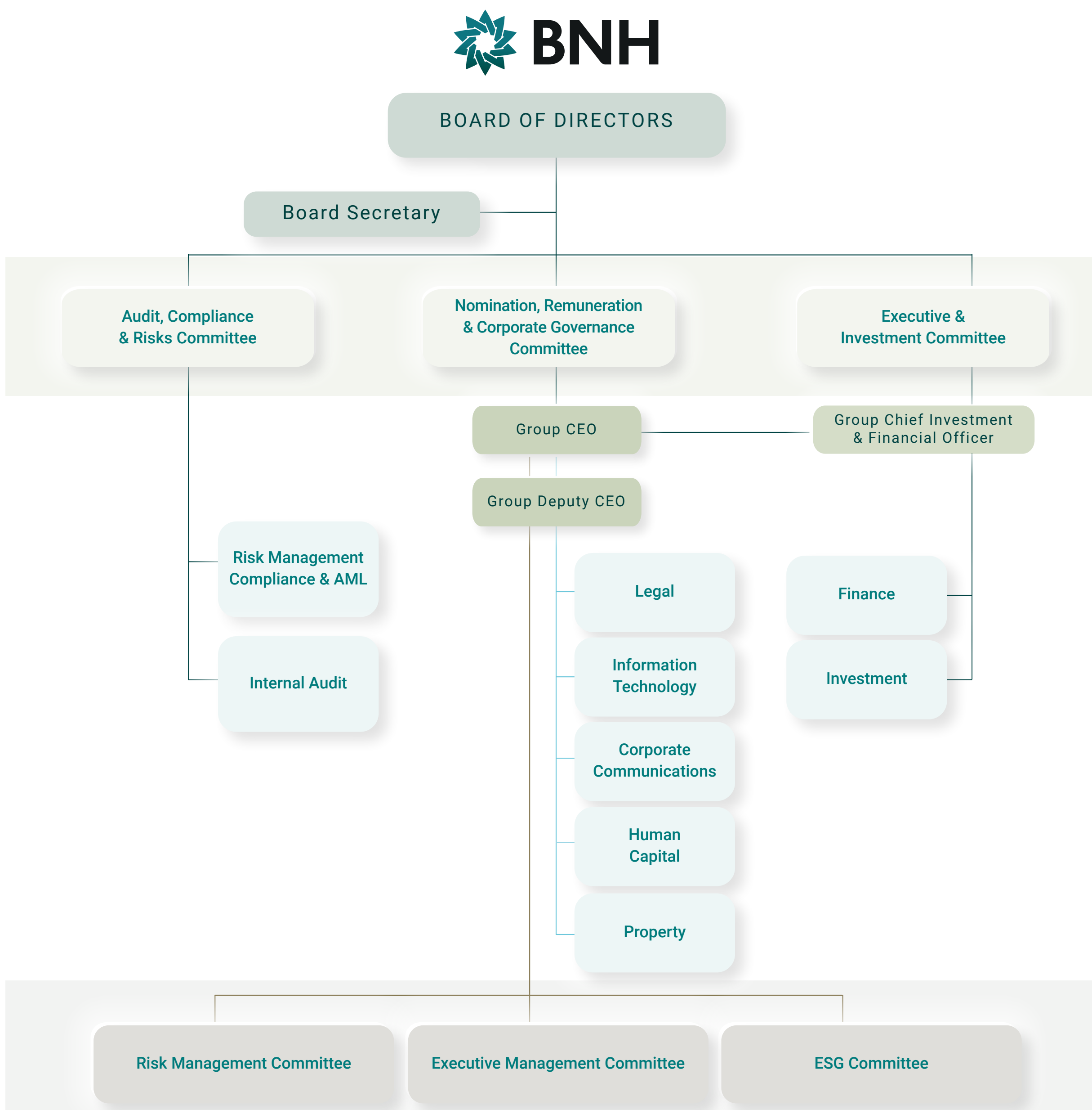
Organization Structure

Bahrain National Holding (BNH)



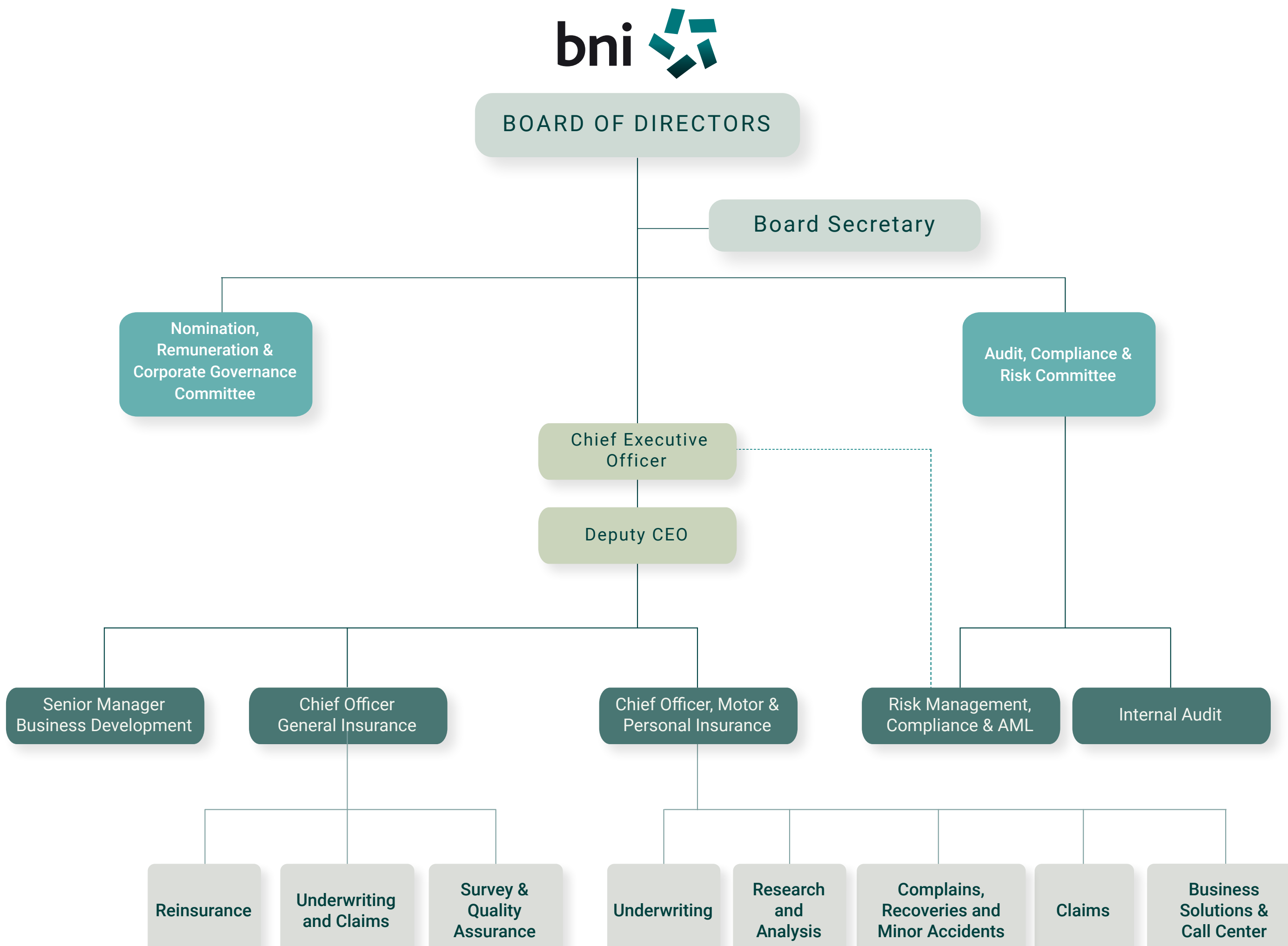
Notes:

1. Board Committees formed individually at each respective Company; except Executive and Investment Committee belonging to BNH,bni and bnl.
2. Management Committees are jointly formed for the Group; Parent and subsidiaries included.
3. Support functions are provided by BNH to bni and bnl through Service Level Agreement, as applicable to the operation of that company.
4. Risk, Compliance and AML is provided through Service Level Agreement between bni and BNH.

Board Level Committees
Management Level Committees
Executive-level Managers
Support Functions

Organization Structure

Bahrain National Insurance (bni)



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

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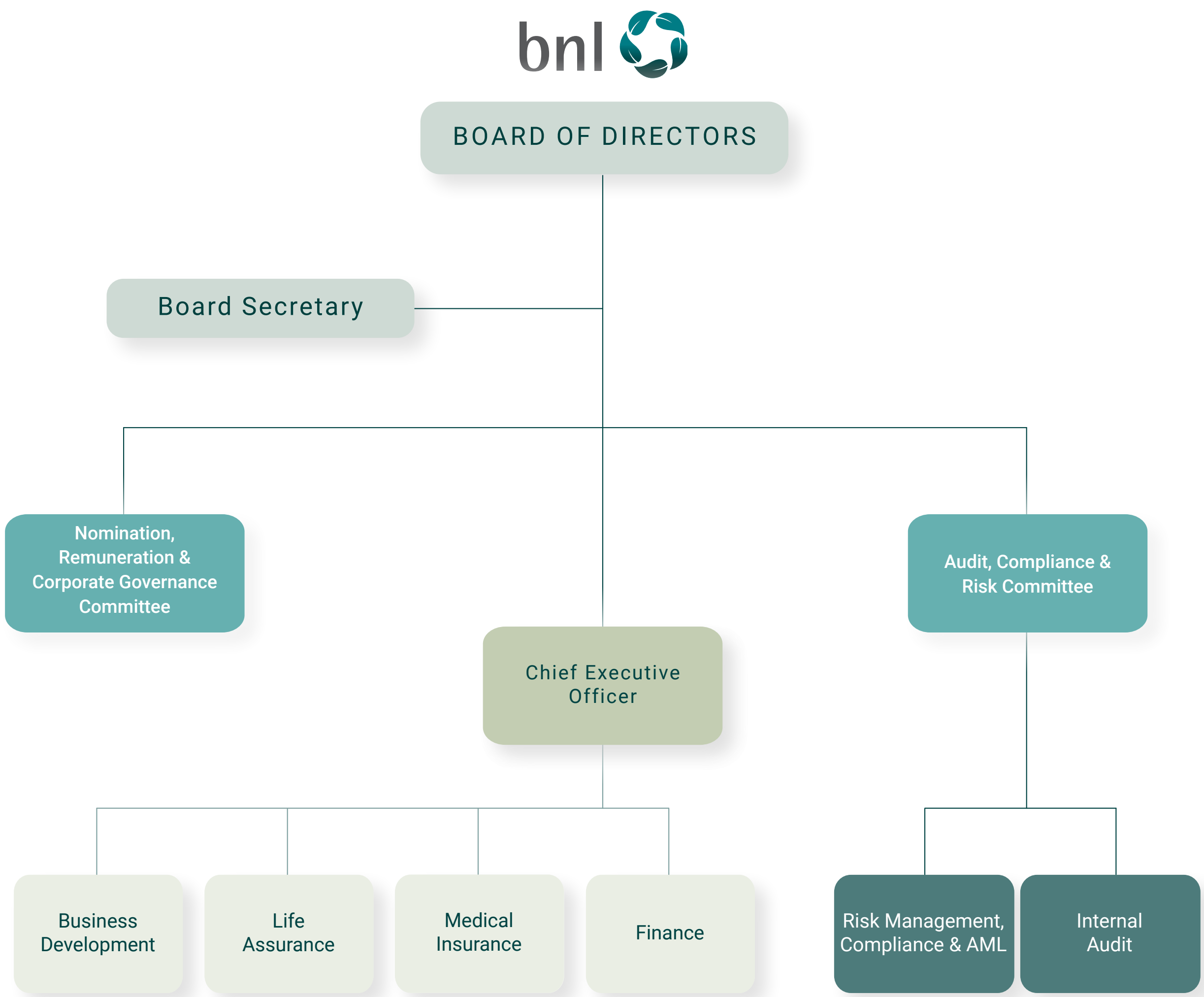
Organization Structure (Continued)

Bahrain National Life Assurance (bnl)



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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www.bnhgroup.com

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Motor & Personal Lines Insurance
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Tel: 6813 1750

Road Assist
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Complaints Unit
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iAssist - Middle East
Building 1402, Road 426
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P.O. Box 80540,
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Fax: 17 112 398

Auditors of the Group
KPMG Fakhro
P.O. Box 710,
Kingdom of Bahrain

Primary bankers of the Group
Ahli United Bank
National Bank of Bahrain
National Bank of Kuwait

Registrars of the Group
KFin Technologies
(Bahrain) W.L.L.

Actuaries
Lux Actuaries and Consultants W.L.L.
Office No. 41, Building no. 2420,
Road 5718
Amwaj 257
Kingdom of Bahrain

Listing
Bahrain Bourse

bni's Branches and Outlets

Seef Branch
Building No. 2491, Road No. 2832, Block No. 428
Al Seef District, Bahrain

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

Muharraq Branch
Shop 2, Ground Floor, Promoseven Holding Building 1130 N, Road 1531, Block 215, Al Ghous Highway, Muharraq

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

Tubli Branch
Building 959, Tubli Service Road
Road 126, Block 701, Tubli

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

Sitra Branch (Drive Thru)
Building 946 Road 115, Block 601
Industrial Area, Sitra

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Consolidated Financial Statements

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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 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS 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 of Bahrain National Holding Company B.S.C (Continued)

Insurance technical reserves

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

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: • as at 31 December 2022, the Group had significant technical insurance provisions, representing 74.5% of the Group's total liabilities and relating to outstanding claim reserves, life actuarial reserve, claims that have been incurred at reporting date but have not yet been reported to the Group, and unearned premiums; • the valuation of technical insurance provisions involves high level of subjectivity, significant judgment and assumptions, in particular life actuarial reserves and claims that have been incurred at reporting date but have not yet been reported to the Group involve significant judgement over uncertain future outcomes, including primarily the timing and amount of ultimate full settlement of policyholder liabilities; and • internal claim development methods and actuarial models are used to support the calculation of insurance technical reserves. The complexity of the models may give rise to errors as a result of inaccurate/incomplete data or the design or application of the models may be inappropriate. Assumptions used in actuarial models, such as historical claims, which can be used to project the trend of future claims, mortality, morbidity, expenses, lapse rates, and so on, are set up in applying estimates and judgements based on the experience analysis and future expectations by management.	Our audit procedures, with the assistance of our actuarial specialists, included: • testing the design and operating effectiveness of the key controls around recording and reserving process for reported claims, unreported claims and unearned premium; • testing samples of outstanding claims and related reinsurance recoveries and subrogation claims, focusing on those with most significant impact on the consolidated financial statements to assess whether claims and related recoveries are appropriately estimated; • for major lines of business, we assessed the reasonableness of the key assumptions, such as loss ratios, risk factors, claims adjustment expenses, frequency and severity of claims, which were used in the valuation models and comparing them to the Group's historical data; • we evaluated whether reserving was consistent in approach, with sufficient justification for changes in assumptions. We used our industry knowledge to benchmark the Group's reserving methodologies and estimates of losses. Our audit focused on lines of business with most inherent uncertainty; • we also considered the appropriateness of information provided to external independent actuarial experts engaged by the Group and considered their scope of work and findings to corroborate adequacy of management estimates on claims reserving; and • evaluating the adequacy of the Group's disclosures related to technical insurance provisions in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

Independent Auditors' Report

To the Shareholders of Bahrain National Holding Company B.S.C (Continued)

Impairment of insurance receivables and recoveries

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

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: • as at 31 December 2022, the Group had significant insurance receivables from policyholders, other insurance companies and recoverable amounts from reinsurance companies, representing 9.54% of Group's total assets; • the Group faces a risk of non-recoverability of these receivables due to financial difficulties of the counter parties; • estimation of the recoverable amount and determining the level of impairment allowance involves judgement and estimation uncertainty; and • the Group makes subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment.	Our audit procedures, amongst others, included: • testing the design and operating effectiveness of the key controls over the process of collection and identification of doubtful balances; • focusing on those accounts with the most significant potential impact on the consolidated financial statements, results of reconciliation of statement of accounts and receipts subsequent to the year-end; and • evaluating the adequacy of the Group's disclosures related to credit risk on insurance receivables and impairment allowance in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

Other Information

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

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

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

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

Independent Auditors' Report

To the Shareholders of Bahrain National Holding Company B.S.C (Continued)

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent Auditors' Report

To the Shareholders of Bahrain National Holding Company B.S.C (Continued)

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

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

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

Report on Other Regulatory Requirements

1) As required by the Commercial Companies Law, we report that:
   a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   b) the financial information contained in the Board of directors' report is consistent with the consolidated financial statements;
   c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association, that would have had a material adverse effect on the business of the Company or on its financial position; and
   d) satisfactory explanations and information have been provided to us by management in response to all our requests.

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

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

KPMG

KPMG Fakhro
Partner Registration Number 83
21 February 2023

Consolidated Statement of Financial Position

As at 31 December 2022

(In thousands of Bahraini Dinars)

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	6	**5,833**	4,962
Placements with banks	6	**14,401**	21,919
Insurance receivables	7	**8,277**	7,896
Other assets	7	**2,275**	1,991
Reinsurers' share of insurance technical reserves	10	**22,207**	17,551
Deferred acquisition cost	27	**1,045**	979
Financial investments	8	**55,129**	37,743
Equity accounted investees	9	**11,090**	19,825
Investment properties	12	**2,235**	2,397
Intangible assets	13	**445**	348
Property and equipment	14	**3,360**	3,539
Statutory deposits	15	**133**	131
Total assets		**126,430**	119,281
LIABILITIES			
Insurance technical reserves	16	**43,670**	38,670
Insurance payables	20	**8,580**	8,821
Other provisions and liabilities	21	**6,298**	5,940
Total liabilities		**58,548**	53,431
Net assets		**67,882**	65,850
EQUITY			
Share capital	23b	**11,918**	11,918
Treasury shares	23c	**-**	(1,868)
Share premium	23g	**3,990**	3,990
Statutory reserve	24a	**5,959**	5,959
General reserve	24b	**13,585**	13,585
Fair value reserve	24c	**3,163**	6,721
Retained earnings		**25,726**	21,912
Equity attributable to shareholders of the Parent company		**64,341**	62,217
Non-controlling interest	11	**3,541**	3,633
Total equity		**67,882**	65,850

The consolidated financial statements were approved by the Board of Directors on 21 February 2023 and signed on its behalf by:

Farooq Yusuf Almoayyed
Chairman

Abdulhusain Khalil Dewani
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive Officer

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

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

(In thousands of Bahraini Dinars)

	Note	2022	2021
Gross insurance premiums	26	**41,964**	39,864
Reinsurers' share of gross insurance premiums		**(22,894)**	(21,346)
Retained premiums		**19,070**	18,518
Net change in reserve for unearned premiums	18	**(231)**	(540)
Net premiums earned		**18,839**	17,978
Gross claims paid		**(22,697)**	(20,409)
Claims recoveries		**12,292**	12,110
Outstanding claims adjustment – gross	17d	**(4,785)**	259
Outstanding claims adjustment – reinsurance	17d	**4,507**	(2,193)
Net claims incurred		**(10,683)**	(10,233)
Gross underwriting profit		**8,156**	7,745
Net commission and fee income	27	**879**	511
Impairment losses on insurance receivables	7	**(587)**	(423)
General and administration expenses – underwriting	30a	**(4,611)**	(4,238)
Other underwriting income		**279**	544
Net underwriting profit		**4,116**	4,139
Net investment income	28	**3,857**	3,337
Gains on reclassification of equity accounted investee to financial asset		**5,872**	-
Impairment losses on investment	29	**(5,715)**	(326)
Share of profit of equity accounted investees	9	**1,142**	1,485
Net income from road assist services		**238**	257
General and administration expenses - non-underwriting	30b	**(2,515)**	(2,401)
Other income		**8**	188
Profit for the year		**7,003**	6,679
Profit attributable to:			
Parent company		**6,547**	6,388
Non-controlling interest	11	**456**	291
		7,003	6,679
Basic and diluted earnings per share (per 100 fils)	23d, e	**55.8 fils**	56.7 fils

Farooq Yusuf Almoayyed
Chairman

Abdulhusain Khalil Dewani
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive Officer

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(In thousands of Bahraini Dinars)

	Note	2022	2021
Profit for the year		**7,003**	6,679
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Available-for-sale securities:			
- Change in fair value		**(7,284)**	2,389
- Transfer to statement of profit or loss on impairment of securities		**5,715**	190
- Transfer to statement of profit or loss on disposal of securities	28	**(2,157)**	(1,344)
Share of other comprehensive income of equity accounted investees		**(231)**	14
Transfer to statement of profit or loss on reclassification of equity accounted investee to financial investment		**(15)**	-
Other comprehensive income		**(3,972)**	1,249
Total comprehensive income		**3,031**	7,928
Total comprehensive income attributable to:			
Parent company		**2,948**	7,513
Non-controlling interest	11	**83**	415
		3,031	7,928

Farooq Yusuf Almoayyed
Chairman

Abdulhusain Khalil Dewani
Vice Chairman

Raed Abdulla Fakhri
Group Chief Executive Officer

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

Consolidated Statement of Changes In Equity

For the year ended 31 December 2022

(In thousands of Bahraini Dinars)

2022	Attributable to the shareholders of the Parent company								Non-controlling Interest	Total Equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total		
Balance at 1 January	11,918	(1,868)	3,990	5,959	13,585	6,721	21,912	62,217	3,633	65,850
Profit for the year	-	-	-	-	-	-	6,547	6,547	456	7,003
Other comprehensive income	-	-	-	-	-	(3,599)	-	(3,599)	(373)	(3,972)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(3,599)**	**6,547**	**2,948**	**83**	**3,031**
Dividends declared for 2021	-	-	-	-	-	-	(3,378)	(3,378)	(175)	(3,553)
Transfer on reclassification of equity accounted investee	-	-	-	-	-	41	(41)	-	-	-
Treasury shares sold (note 23c)	-	1,868	-	-	-	-	686	2,554	-	2,554
Balance at 31 December	**11,918**	**-**	**3,990**	**5,959**	**13,585**	**3,163**	**25,726**	**64,341**	**3,541**	**67,882**

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

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

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Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(In thousands of Bahraini Dinars)

	Note	2022	2021
OPERATING ACTIVITIES			
Insurance operations			
Premiums and service fees received, net of acquisition costs		**42,508**	40,714
Payments to insurance and reinsurance companies		**(23,356)**	(18,126)
Claims paid to policyholders		**(21,816)**	(21,284)
Claims recovered from reinsurers and insurance companies		**11,740**	11,725
Donations paid		**(50)**	(43)
Cash flows from insurance operations		**9,026**	12,986
Investment operationsDividends and interest received		**1,952**	1,686
Proceeds from sale and redemptions of financial investments		**15,298**	12,687
Payments for purchases of financial investments		**(25,495)**	(11,591)
Bank deposits with maturities of more than three months		**(12,977)**	(22,050)
Redemption proceeds from bank deposits		**20,492**	13,090
Dividends received from equity accounted investees		**550**	651
Payment for investment in equity accounted investee		**-**	(15)
Loans paid		**(12)**	(75)
Loans recovered		**75**	-
Payment for investment properties		**(4)**	(2)
Rent received		**338**	311
Cash flows from / (used in) investment operations		**217**	(5,308)
Expenses paid		**(7,027)**	(5,911)
Cash flows from operating activities		**2,216**	1,767
INVESTMENT ACTIVITIES			
Purchase of equipment and intangible assets		**(249)**	(162)
Cash flows used in investment activities		**(249)**	(162)
FINANCING ACTIVITIES			
Dividends paid to shareholders		**(3,379)**	(2,553)
Dividends paid to non-controlling interest		**(175)**	-
Proceeds from sales of treasury shares		**2,554**	-
Payments of lease liabilities		**(96)**	(81)
Cash flows used in financing activities		**(1,096)**	(2,634)
Net change in cash and cash equivalents		**871**	(1,029)
Cash and cash equivalents at 1 January		**4,962**	5,991
Cash and cash equivalents at 31 December	6	**5,833**	4,962

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(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 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in insurance and investment activities.

2. BASIS OF ACCOUNTING AND MEASUREMENT

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS 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 available-for-sale securities, which are stated at fair value.

These consolidated financial statements were authorized for issue by the board of directors on 21 February 2023.

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 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 5 (b).

c) New amendments and interpretations effective from 1 January 2022

There are no new standards, amendments to the standards, which became effective as of 1 January 2022, that were relevant and had a material impact on the consolidated financial statements.

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

A number of new standards, amendments, and interpretations to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however the Group has not early applied the new standards in preparing these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In thousands of Bahraini Dinars)

2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

I. IFSR 17 Insurance Contracts and IFRS 9 Financial Instruments

The Group will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Group's consolidated financial statements in the period of initial application. The Group has an implementation program underway to implement IFRS 17 and IFRS 9. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Group remains on track to start providing IFRS 17 and IFRS 9 consolidated financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023. The Group's subsidiaries have also prepared a comprehensive semi-annual financial statements in accordance with IFRS 17 and IFRS 9 for the six-month period ending 30 June 2022 as per CBB requirements.

The Group estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes in the Group's total equity as of 1 January 2022 (transition date) as follows:

Adjustments due to adoption of	Change in Equity as of 1 January 2022
IFRS 17	930
IFRS 9	(189)
Net Impact	**741**

The Group will restate comparative information on adoption of IFRS 17 and IFRS 9.

The assessment above is preliminary because not all of the transition work has been finalised. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2022 may change because:

- the Group is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- although parallel runs were carried out in the second half of 2022, the Group has certain transition processes that are under review and update, including data review as well as the new systems and associated controls are still under process and have not been operational;
- the Group has not finalised the testing and assessment of controls over its transition framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first consolidated financial statements that include the date of initial application.

The impact of adopting IFRS 17 and IFRS 9 on 1 January 2023 are yet to be assessed. In below section are the relevant accounting policies of IFRS 17 and IFRS 9.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In thousands of Bahraini Dinars)

2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

(i) Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participating features (“DPF”). When identifying contracts in the scope of IFRS 17, in some cases the Group will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

(ii) Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different group entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e., by year of issue) and each annual cohort into three groups:

- 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. This will apply to contracts issued that are required by regulation to be priced on a gender-neutral basis.

When a 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 may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contractual Service Margin (“CSM”), against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

(iii) Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognized contracts. The period covered by the premiums within the contract boundary is the ‘coverage period’, which is relevant when applying a number of requirements in IFRS 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

Insurance contracts

For 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 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.

Reinsurance contracts

For 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.

(iv) Measurement overview

IFRS 17 introduces a measurement model based on the 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 CSM.

Premium Allocation Approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Group expects that it will apply the PAA to all contracts in the Non-life segment because the following criteria are expected to be met at inception:

- Insurance contracts and 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 described above.

(v) Measurement - Life contracts

Insurance contracts and investment contracts with DPF

On initial recognition, the Group will measure a group of 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 contracts do not reflect the Group's non-performance risk.

Notes to the Consolidated Financial Statements

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2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

- 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 will be 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 will use 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 variables such as interest rates and equity returns.
- All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts. Cash flows that vary based on the returns on any underlying items will be 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 will be discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.
- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Group would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.
- The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:

  (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; see below).

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. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; 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.

Subsequently, the carrying amount of a group of 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 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:

Notes to the Consolidated Financial Statements

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2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

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

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in consolidated profit or loss because it relates to future service.

Reinsurance contracts

The Group will apply the same accounting policies to measure a group of reinsurance contracts, 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 will measure 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 the insurance service result in profit or loss.

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

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Group will:

- recognise any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it relates to insured events that occurred before the purchase of the group; and
- recognise 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. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

The CSM is adjusted subsequently only for specified amounts and is recognised in profit or loss as services are received.

Insurance acquisition cash flows

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. Under IFRS 17, for Life contracts, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

Insurance acquisition cash flows that are directly attributable to a group of contracts (e.g. nonrefundable commissions paid on issuance of a contract) are allocated only to that group and to the groups that will include renewals of those contracts. The allocation to renewals will only apply to certain term life 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 will be based on the manner in which the Group expects to recover those cash flows

Under IFRS17, only insurance acquisition cash flows that arise before the recognition of related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts. The Group expects that a majority of assets for insurance acquisition cash flows will relate to the renewals of term life and critical illness contracts, as described above. These assets will be presented in the same line item as the related portfolio of contracts and derecognised once the related group of contracts has been recognised. This differs from the Group's current practice, under which all acquisition costs are recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs').

IFRS 17 will require the Group to assess at each reporting date whether facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired. If it is impaired, then the Group will:

a. recognise an impairment loss in the consolidated 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, recognise an impairment loss in the consolidated 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 will reverse any impairment losses in profit or loss and increase the carrying amount of the asset to the extent that the impairment conditions have improved.

(vi) Measurement - Non-life contracts

On initial recognition of each group of Non-life insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Group will elect to defer insurance acquisition cash flows and will recognise it as an expense over time in a systematic way.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Group expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Group will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group will recognise a loss in the consolidated profit or loss and increase 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 will be discounted (at current rates) if the liability for incurred claims is also discounted (see below).

Notes to the Consolidated Financial Statements

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2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

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

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

(vii) Measurement - Significant judgements and estimates

Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, 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 will 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 will take 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 will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling 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.

Cash flows will be 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 will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Group will generally allocate insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts in each group.

Discount rates

The Group will generally determine risk-free discount rates using the observed mid-price swap yield curves for rated banks.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. They will be determined separately for the Life and Non-life contracts and allocated to groups of contracts based on an analysis of the risk profiles of the groups.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

(In thousands of Bahraini Dinars)

2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

CSM

The CSM of a group of contracts is recognised in the consolidated profit or loss to reflect services provided in each year, 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 the consolidated 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 the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

(viii) Presentation and disclosure

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Group's consolidated financial statements.

Under IFRS 17, portfolios of insurance contracts and investment contracts with DPF 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 consolidated statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately.

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) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the consolidated statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 will provide added transparency about the sources of profits and quality of earnings.

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the consolidated financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the consolidated financial statements.

(ix) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Group will:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

- identify, recognise and measure each group of insurance contracts, reinsurance contracts and investment contracts with DPF as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts);
- measure owner-occupied properties, own financial liabilities and own shares held that are underlying items of direct participating contracts at fair value; and
- recognise any resulting net difference in equity. The carrying amount of goodwill from previous business combinations will not be adjusted.

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Group will choose between the modified retrospective approach and the fair value approach. However, if the Group cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

II. IFRS 9 Financial Instruments

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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2. BASIS OF ACCOUNTING AND MEASUREMENT (continued)

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

III. Other new standards, amendments and interpretations to standards
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. Classification of liabilities as current or non-current (Amendments to IAS 1).
2. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
3. Definition of Accounting Estimates (Amendments to IAS 8)
4. 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.

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3. BASIS OF CONSOLIDATION (continued)

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.

d) Loss of control

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

e) Interest in equity-accounted investees

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

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

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

f) Transactions eliminated on consolidation

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

4. CHANGE IN ACCOUNTING POLICIES

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

5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

a) Significant Accounting Policies

i) Insurance and investment contracts

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

Notes to the Consolidated Financial Statements

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

ii) General insurance business

Gross insurance premiums

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

Reinsurers' share of gross insurance premiums

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

Unearned premiums

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

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

Gross claims paid

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

Claims recoveries

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

Outstanding claims

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

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

Notes to the Consolidated Financial Statements

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

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

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

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

iii) Life assurance business
The life assurance operations underwrites two categories of policies:

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

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

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

Life assurance actuarial reserve
The life assurance actuarial reserve represents the present value of the future benefit obligations in respect of policies in force at the reporting date. The life assurance actuarial reserve is credited with the net investment income arising out of the investments made by the Group on behalf of the life assurance policyholders. At the reporting date, the net value of the life assurance actuarial reserve is adjusted to a minimum of the actuarially estimated current value of future benefit obligations under the Group's policies in force at the reporting date. The shortfall, if any, is charged to the consolidated statement of profit or loss.

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

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

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

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

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

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

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

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(In thousands of Bahraini Dinars)

5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

iv) Liability adequacy test

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

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

v) Reinsurance contracts

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

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

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

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

vi) Financial assets and financial liabilities

Classification

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

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

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

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

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

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

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

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

viii) Cash and cash equivalents

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

ix) Intangible assets

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

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

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

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

x) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Properties include certain properties that the Group 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

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

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

xi) Investment properties

Investment properties, which are held to earn rentals or for capital appreciation, are measured at cost, including transaction costs, less accumulated depreciation and accumulated impairment, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated profit or loss.

xii) Leases

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

As a lessee

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

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

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

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rat e. 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.

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

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

xiii) Impairment of assets

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

Financial assets carried at amortised cost

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

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

Impairment of available-for-sale investments

The Group assesses at each reporting date whether there is an objective evidence that a financial asset is impaired. A significant or prolonged decline in the market value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on AFS equity instruments are subsequently reversed through the statement of comprehensive income.

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

xiv) Employees' benefits

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

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

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

xv) Share Capital

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

Notes to the Consolidated Financial Statements

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

xvi) Dividends

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

xvii) Directors' remunerations

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

xviii) Segment reporting

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

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

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

xix) Foreign currency translation

Transactions and balances

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

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

Other group companies

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

b) Critical accounting estimates and judgments in applying accounting policies

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

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

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

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

ii) Life assurance actuarial reserve estimation

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

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

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

Incidence assumptions are based on standard industry mortality rate tables adjusted in order to reflect the historical experience of the country and company in particular. These tables estimates the number of deaths in order to determine the value of the benefit payments and the value of the valuation premiums.

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

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

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

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5. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

Impairment losses on held-to-maturity securities carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the consolidated statement of profit or loss and reflected in an allowance against the investment.

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

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

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

iv) Classification of investments

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

6. CASH AND BALANCES WITH BANKS

	2022	2021
Cash and bank current accounts*	**4,331**	4,962
Placements with banks, with maturities of three months or less when acquired	**1,008**	-
Treasury bills, with maturities of three months or less when acquired	**494**	-
Cash and cash equivalents	**5,833**	4,962
Placements with banks with maturities of more than three months	**14,401**	21,919
Total cash and balances with banks	**20,234**	26,881

* This includes an amount of BD 29 thousand which is not available for day to day operation (2021: BD 18 thousand).

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

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7. INSURANCE RECEIVABLES AND OTHER ASSETS

	2022	2021
INSURANCE RECEIVABLES		
Policyholders	**6,702**	6,343
Provision for impairment of receivables from policyholders	**(1,527)**	(1,780)
Written off receivables from policyholders	**(500)**	(51)
Insurance and reinsurance companies	**5,364**	4,812
Provision for impairment of receivables from insurance and reinsurance companies	**(1,762)**	(1,428)
	8,277	7,896
OTHER ASSETS		
Accrued income	**1,269**	1,051
Rent receivables	**134**	183
Provision for impairment of rent receivables	**(71)**	(181)
Write-off of rent receivables	**(59)**	-
VAT recoverable	**83**	39
Recoverable deposits	**199**	205
Prepayments and advances	**154**	98
Miscellaneous	**715**	739
Provision for impairment on other assets	**(149)**	(143)
	2,275	1,991
	10,552	9,887

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

	2022	2021
Opening balance	**3,532**	3,118
Charged on insurance receivables, net	**581**	280
Charged on other assets, net	**6**	143
Charged on rent receivables, net	**60**	42
Reversal on collection of rent receivables	**(111)**	-
Write off of receivables from policyholders	**(500)**	(51)
Write off of rent receivables	**(59)**	-
	3,509	3,532

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

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8. FINANCIAL INVESTMENTS

	2022	2021
Securities carried at fair value through profit or loss	**2,583**	1,977
Available-for-sale securities	**49,750**	31,993
Held-to-maturity securities	**2,796**	3,773
	55,129	37,743

a) Securities carried at fair value through profit or loss

	2022	2021
Listed securities:		
- Equity securities	**127**	213
- Government debt securities	**455**	261
- Treasury bills	**622**	-
- Corporate debt securities	**807**	418
- Managed funds	**429**	952
Unlisted funds	**143**	133
	2,583	1,977
Movement during the year:		
Opening balance	**1,977**	2,285
Purchases	**1,492**	314
Sales	**(704)**	(721)
Fair value movement	**(182)**	99
	2,583	1,977

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8. FINANCIAL INVESTMENTS (continued)

b) Available-for-sale securities

	2022	2021
Listed securities:		
- Equity securities	**18,824**	14,904
- Government debt securities	**5,424**	2,993
- Treasury bills	**10,057**	-
- Corporate debt securities	**7,774**	4,269
- Managed funds	**4,621**	6,817
Unlisted securities and funds	**3,050**	3,010
	49,750	31,993
Movement during the year:		
Opening balance	**31,993**	29,552
Purchases	**23,855**	11,060
Disposals	**(11,795)**	(9,718)
Reclassified from equity accounted investee	**15,030**	-
Fair value movement	**(9,333)**	1,235
	49,750	32,129
Impairment losses	**-**	(136)
	49,750	31,993

c) Held-to-maturity securities

	2022 Fair value	2021 Fair value	**2022 Carrying value**	2021 Carrying value
Government debt securities	**947**	1,934	**963**	1,888
Corporate debt securities	**1,754**	2,001	**1,833**	1,885
	2,701	3,935	**2,796**	3,773

	2022	2021
Movement during the year:		
Opening balance	**3,773**	4,130
Purchases	**139**	226
Matured securities	**(1,129)**	(599)
Exchange gains	**13**	16
	2,796	3,773

Notes to the Consolidated Financial Statements

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8. FINANCIAL INVESTMENTS (continued)

d) Policyholders' investments

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

	2022	2021
Cash equivalents	56	44
Placements with banks	738	1,014
Financial investments	3,015	2,617
	3,809	3,675
Actuarial estimate of the present value of future benefit obligations at 31 December (note 19)	3,168	3,346

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

9. EQUITY ACCOUNTED 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		Nature of relationship	Principal activities
		2022	2021		
National Finance House BSC (c)	Kingdom of Bahrain	34.93%	34.93%	Associate	Engaged in consumer and auto finance business
Al Kindi Specialised Hospital W.L.L.	Kingdom of Bahrain	27%	27%	Associate	Engaged in providing private medical services
United Insurance Company BSC (c)	Kingdom of Bahrain	20%	20%	Associate	Primarily provides insurance coverage for motor vehicles
Arabian Shield Cooperative Insurance Company (ASCIC)	Kingdom of Saudi Arabia	9.4%	15%	Available-for-sale (2021: Associate)*	Transact various types of general insurance business
Health 360 Ancillary Services W.L.L.	Kingdom of Bahrain	22.2%	20%	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

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9. EQUITY ACCOUNTED INVESTEES (continued)

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

2022	National Finance House	Al Kindi Specialised Hospital	United Insurance Company	ASCIC *	Health 360 Ancillary Services	AlBayrooni Dialysis	Total
Opening balance	5,646	1,921	2,747	9,243	191	77	19,825
Investments	-	-	-	-	18	-	18
Loan converted to equity shares	-	-	-	-	-	59	59
Share of profit / (loss)	483	64	715	(4)	20	(136)	1,142
Dividends received	(210)	(53)	(275)	-	(12)	-	(550)
Share of other comprehensive income	-	-	(165)	(66)	-	-	(231)
Reclassified to AFS investment	-	-	-	(9,173)	-	-	(9,173)
	5,919	**1,932**	**3,022**	**-**	**217**	**-**	**11,090**

2021	National Finance House	Al Kindi Specialised Hospital	United Insurance Company	ASCIC *	Health 360 Ancillary Services	AlBayrooni Dialysis	Total
Opening balance	5,365	1,873	2,761	8,711	175	-	18,885
Investments	-	-	-	-	15	77	92
Share of profit	438	93	439	490	25	-	1,485
Dividends received	(157)	(45)	(425)	-	(24)	-	(651)
Share of other comprehensive income	-	-	(28)	42	-	-	14
	5,646	1,921	2,747	9,243	191	77	19,825

* 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 Available-for-Sale carried at fair value, effective 12 January 2022.

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9. EQUITY ACCOUNTED INVESTEES (continued)

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 which 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.

During the year, the fair value of ASCIC based on the price quoted in Saudi Stock Exchange has significantly declined to BD 9,424 thousand as compared to the fair value as of 12 January 2022. Therefore, the Company has recognized impairment of BD 5,606 thousand under Impairment losses on investments caption in the consolidated statement of profit or loss.

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

2022	National Finance House	United Insurance Company
Total assets	52,972	29,021
Total liabilities	36,027	13,916
Net assets	16,945	15,105
Group's share of net assets	**5,919**	**3,022**
Revenue	3,518	8,914
Profit	1,329	3,576
Other comprehensive income	-	(827)
Total comprehensive income	1,329	2,749
Group's share in total comprehensive income	**483**	**550**

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

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9. EQUITY ACCOUNTED INVESTEES (continued)

d) Reporting dates of financial information of associates

For the equity accounted investees, the information is taken from the financial information for the year ended 31 December 2022 and 2021.

10. REINSURERS' SHARES OF INSURANCE TECHNICAL RESERVES

	2022	2021
Outstanding claims recoverable from reinsurers (note 17)	**13,042**	8,644
Reinsurers' share of unearned premiums (note 18)	**9,432**	9,283
Provision for impairment of outstanding claims recoverable	**(267)**	(376)
	22,207	17,551

As of 31 December 2022 and 2021, the outstanding claims recoverable from reinsurers are related to a number of reinsurers for whom there is no recent history of default. The provision provided for outstanding claims recoveries of BD 267 thousand represent an estimate of impairment on recoveries from insurance companies.

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

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

	2022	2021
At 1 January	**376**	-
(Release) / Charge	**(109)**	376
	267	376

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11. INVESTMENT IN SUBSIDIARIES

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

Name of the entity	Place of business / country of incorporation	Date of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interest		Principal activities
			2022	2021	**2022**	2021	
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

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11. INVESTMENT IN SUBSIDIARIES (continued)

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:

	2022	2021
Cash and cash equivalents	**1,228**	1,377
Placements with banks	**2,638**	4,021
Insurance receivables and other assets	**3,480**	2,658
Reinsurers' share of insurance technical reserves	**2,662**	3,025
Deferred acquisition costs	**278**	190
Other assets	**576**	509
Financial investments	**15,275**	14,402
Intangible assets	**67**	42
Equipment	**142**	159
Statutory deposits	**53**	52
Insurance technical reserves	**(9,589)**	(9,630)
Insurance payables	**(2,023)**	(1,644)
Other liabilities	**(699)**	(707)
Net assets (100%)	**14,088**	14,454
Net assets attributable to NCI	**3,541**	3,633
Net premium earned	**6,974**	6,095
Net claims incurred	**(4,824)**	(4,512)
Impairment losses on receivables	**(36)**	(15)
General and administration expenses – underwriting	**(1,185)**	(1,069)
Net commission expenses	**(166)**	(135)
Other income	**8**	2
Net investment income	**1,268**	1,012
Impairment losses on investment	**(59)**	(60)
General and administration expenses - non-underwriting	**(155)**	(155)
Net profit	**1,825**	1,163
Other comprehensive income	**(1,491)**	495
Total comprehensive income	**334**	1,658
NCI's share of profit (25%)	**456**	291
NCI's share of total comprehensive income (25%)	**83**	415
Cash flows from operating activities	**500**	210
Cash flows from / (used in) investing activities	**71**	(608)
Cash flows used in financing activities, before dividends to NCI	**(545)**	(20)
Cash flows used in financing activities, cash dividends to NCI	**(175)**	-
Net change in cash and cash equivalents	**(149)**	(418)

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12. INVESTMENT PROPERTIES

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**

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

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.

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13. INTANGIBLE ASSETS

2022	**Goodwill**	**Software**	**Development cost**	**Total**
Cost				
At 1 January	74	1,898	65	2,037
Additions	-	80	79	159
Transfers	-	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**

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

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14. PROPERTY AND EQUIPMENT

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 amortization					
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**

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

15. STATUTORY DEPOSITS

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

Statutory deposits consist of the following:

	2022	2021
Deposit	**131**	129
Interest for the year	**2**	2
	133	131

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16. INSURANCE TECHNICAL RESERVES

	2022	2021
Outstanding claims - gross (note 17)	**21,744**	16,959
Unearned gross insurance premiums (note 18)	**17,446**	17,066
Unearned commissions income (note 27)	**946**	978
Life assurance actuarial reserve (note 19)	**3,534**	3,667
	43,670	38,670

17. OUTSTANDING CLAIMS

a) Claims development

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

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

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

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

(i) Gross insurance claims for general insurance business

Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:											
At end of reporting year	7,275	5,550	8,850	4,772	4,798	6,577	8,114	7,590	5,737	**10,587**	69,850
One year later	7,512	7,510	8,928	5,833	5,813	6,512	9,357	7,459	**5,273**		64,197
Two year later	6,059	7,957	9,433	5,934	5,788	7,806	7,745	**7,897**			58,619
Three year later	5,972	7,901	9,629	5,729	7,240	8,308	**7,156**				51,935
Four year later	5,818	7,979	9,589	6,349	7,372	**8,123**					45,230
Five year later	5,897	8,058	5,869	6,329	**7,326**						33,479
Six year later	5,926	9,642	5,926	**6,315**							27,809
Seven year later	8,088	9,668	**5,931**								23,687
Eight year later	6,077	**9,672**									15,749
Nine year later	**6,075**										6,075
Current estimate of cumulative claims **(A)**	6,075	9,672	5,931	6,315	7,326	8,123	7,156	7,897	5,273	10,587	74,355
Cumulative payments to date **(B)**	5,869	9,473	5,698	6,192	7,274	7,069	6,088	4,709	3,229		55,601
Total (A – B)	**206**	**199**	**233**	**123**	**52**	**1,054**	**1,068**	**3,188**	**2,044**	**10,587**	**18,754**
Reserve in respect of years prior to 2013											542
Total gross reserve included in the statement of financial position											**19,296**

Notes to the Consolidated Financial Statements

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17. OUTSTANDING CLAIMS (continued)

(ii) Gross outstanding claims for life and medical insurance business amounted to BD 2,448 thousand.

(iii) Net insurance claims for general insurance business

Accident year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:											
At end of reporting year	3,409	2,281	2,083	2,201	2,888	4,477	5,791	3,519	4,251	**5,190**	36,090
One year later	3,356	2,874	2,794	3,122	3,360	3,452	3,725	3,058	**2,310**		28,051
Two year later	3,279	3,260	3,142	3,442	2,215	3,642	4,492	**3,570**			27,042
Three year later	3,153	3,320	3,364	2,872	4,241	4,394	**4,151**				25,495
Four year later	3,132	3,403	2,993	2,596	2,656	**2,449**					17,229
Five year later	3,178	3,286	2,887	2,867	**2,842**						15,060
Six year later	3,138	3,121	3,111	**3,002**							12,372
Seven year later	3,341	3,333	**3,283**								9,957
Eight year later	3,153	**3,146**									6,299
Nine year later	**2,230**										2,230
Current estimate of cumulative claims **(A)**	2,230	3,146	3,283	3,002	2,842	2,449	4,151	3,570	2,310	5,190	32,173
Cumulative payments to date **(B)**	2,212	3,119	3,274	3,028	2,810	2,349	3,615	2,394	1,564		55,601
Total (A – B)	**18**	**27**	**9**	**(26)**	**32**	**100**	**536**	**1,176**	**746**	**5,190**	**7,808**
Reserve in respect of years prior to 2013											(27)
Total gross reserve included in the statement of financial position											**7,781**

(iv) Net outstanding claims for life and medical insurance business amounted to BD 1,188 thousand.

b) Changes in insurance assets and liabilities – general insurance

	2022 Gross	2022 Recoveries	2022 Net	2021 Gross	2021 Recoveries	2021 Net
Reported claims	**14,521**	**8,268**	**6,253**	14,696	10,461	4,235
IBNR	**2,438**	**-**	**2,438**	2,522	-	2,522
Total at 1 Jan	**16,959**	**8,268**	**8,691**	17,218	10,461	6,757
Changes	**27,482**	**16,799**	**10,683**	20,150	9,917	10,233
Settled	**(22,697)**	**(12,292)**	**(10,405)**	(20,409)	(12,110)	(8,299)
Balance at 31 December	**21,744**	**12,775**	**8,969**	16,959	8,268	8,691
Reported claims	**18,876**	**12,775**	**6,101**	14,521	8,268	6,253
IBNR	**2,868**	**-**	**2,868**	2,438	-	2,438
Balance as at 31 December	**21,744**	**12,775**	**8,969**	16,959	8,268	8,691

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17. OUTSTANDING CLAIMS (continued)

c) Sensitivity analysis

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

	Profit or loss & Equity	
Non-Life Insurance	**2022**	2021
Expense rate		
1 percent increase	**(44)**	(41)
1 percent decrease	**44**	41
Expected loss ratio		
1 percent increase	**(100)**	(91)
1 percent decrease	**100**	91

	Profit or loss & Equity	
Life Assurance	**2022**	2021
Demographic assumptions		
1 percent increase in base mortality rate	**(7)**	(10)
1 percent decrease in base mortality rate	**7**	10
Expense assumptions		
1 percent increase	**(4)**	(3)
1 percent decrease	**4**	3
Expected loss ratio		
1 percent increase	**(8)**	(12)
1 percent decrease	**8**	12

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

d) Movements in outstanding claims:

	Gross outstanding claims		Reinsurers' share & other recoveries		Net outstanding claims	
	2022	2021	**2022**	2021	**2022**	2021
At 1 January	**16,959**	17,218	**8,268**	10,461	**8,691**	6,757
Net movement during the year	**4,785**	(259)	**4,507**	(2,193)	**278**	1,934
At 31 December	**21,744**	16,959	**12,775**	8,268	**8,969**	8,691

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18. NET CHANGE IN RESERVES FOR UNEARNED INSURANCE PREMIUMS

	Unearned gross insurance premiums		Reinsurers' share		Net unearned premiums	
	2022	2021	**2022**	2021	**2022**	2021
At 1 January	**17,066**	16,181	**9,283**	8,938	**7,783**	7,243
Net movement during the year	**380**	885	**149**	345	**231**	540
At 31 December	**17,446**	17,066	**9,432**	9,283	**8,014**	7,783

19. LIFE ASSURANCE ACTUARIAL RESERVE AND ACTUARIAL ASSUMPTIONS

	2022	2021
Life assurance actuarial reserve		
Balance at 1 January	**3,668**	3,423
Contributions received	**193**	185
Benefits paid	**(211)**	(122)
Management fee	**(30)**	(27)
Policyholder's share of net investment income / (loss)	**(86)**	208
Balance at 31 December	**3,534**	3,667
Life assurance actuarial reserve per consolidated statement of financial position	**3,534**	3,667
Actuarial estimate of the present value of future benefit obligations at 31 December	**3,168**	3,346

The actuarial estimate has been prepared by independent actuaries. The mortality rate assumptions used was 45% (2021: 45%) of the 75-80 Ultimate Mortality US Table and the valuation interest rate was set at 4.0% p.a. (2021: 4.5% p.a.). Allowances have been made for reinsurance, guaranteed bonuses, renewal expenses unexpired risks and contingencies where appropriate.

20. INSURANCE PAYABLES

	2022	2021
Policyholders – Claims	**1,176**	622
Insurance and reinsurance companies	**7,404**	8,199
	8,580	8,821

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

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21. OTHER PROVISIONS AND LIABILITIES

	2022	2021
Vehicle repairers and spare parts	**1,373**	1,022
Premiums received in advance	**674**	688
Lease liabilities	**474**	510
VAT payables	**267**	248
Medical claims care fund	**170**	213
Provision for employees' benefits	**826**	854
Employees' leaving indemnities	**527**	473
Cash collateral	**329**	324
Hit and run levy fee	**103**	109
Other	**1,555**	1,499
	6,298	5,940

Lease liabilities

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

Information about leases for which the Group is a lessee is presented below.

i) Right-of-use assets

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

ii) Lease liabilities

See note 32 for a maturity analysis of lease liabilities as at 31 December 2022 and 2021, and note 38 for the movements in lease liabilities for the years then ended.

iii) Amounts recognised in profit or loss

	2022	2021
Interest on lease liabilities	**34**	35
Expenses relating to short-term leases	**18**	18
Expenses relating to leases of low-value assets	**17**	10
	69	63

iv) Amounts recognised in the statement of cash flows

	2022	2021
Interest on lease liabilities	**96**	81

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22. RETIREMENT BENEFITS COST

As at 31 December 2022, the Group employed 163 Bahrainis (2021: 159 Bahrainis) and 42 expatriates (2021: 47 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 2022 amounted to BD 271 thousand (2021: BD 259 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 2022 amounted to BD 82 thousand (2021: BD 75 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 2022 amounted to BD 834 thousand (2021: BD 819 thousand) and is included in the Life assurance actuarial reserve (note 19). The liability is funded by way of contributions from the retirement scheme. The contributions received are invested as part of policyholders' investments (note 8d).

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

Movement in employees' leaving indemnities:

	2022	2021
Balance at 1 January	**473**	502
Payments	**(9)**	(38)
Charge during the year	**63**	9
Balance at 31 December	**527**	473

23. SHARE CAPITAL

	Number 2022	**Amount 2022**	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.

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23. SHARE CAPITAL (continued)

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 2022 (31 December 2021: BD 1,868 thousand). 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)

	2022	2021
Basic and diluted earnings per share – fils	**55.8**	56.7
Proposed cash dividend – fils	**35.0**	30.0
Book value per share – fils	**539.9**	552.5
Stock exchange price at 31 December – fils	**445.0**	420.0
Market capitalization at 31 December – in thousands of BD	**53,033**	50,054
Price/Earnings ratio at 31 December	**8.0**	7.5

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 6,547 thousand (2021: BD 6,388 thousand), attributable to 117,399,907 ordinary shares (2021: BD 112,608,244 ordinary shares) for basic earnings, being the weighted average number of ordinary shares outstanding during the year.

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

f) Major shareholders

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

	Nationality	No. of shares	Shareholding (%)
National Insurance Company	Iraqi	7,808,734	6.55
Abdulhameed Zainal Mohamed Zainal	Bahraini	7,625,839	6.40

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.

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23. SHARE CAPITAL (continued)

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

Categories*	Number of shareholders	Number of shares	% of total outstanding shares
Less than 1 %	650	46,172,896	38.74
1 % up to less than 5 %	25	57,567,531	48.31
5 % up to less than 10 %	2	15,434,573	12.95
TOTAL	**677**	**119,175,000**	**100.00**

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

24. RESERVES

a) Statutory reserve

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

b) General reserves

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

c) Fair value reserve

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

25. PROPOSED APPROPRIATIONS AND DIRECTORS REMUNERATION

	2022	2021
Profit as per consolidated statement of profit or loss	**7,003**	6,679
Net profit attributable to non-controlling interest	**(456)**	(291)
Profit attributable to shareholders of Parent company	**6,547**	6,388
Proposed appropriations:		
Dividend to shareholders	**4,171**	3,378
Retained earnings	**2,376**	3,010
	6,547	6,388

Proposed directors' remuneration is BD 191 thousand (2021: BD 227 thousand). The appropriation of the 2022 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.

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26. GROSS INSURANCE PREMIUMS

	2022	2021
Direct Business	38,806	36,854
Inward Business	3,158	3,010
	41,964	39,864

27. NET COMMISSION AND FEE INCOME

	2022	2021
Commission and fee income	2,745	2,574
Commission expenses	(1,964)	(1,936)
Adjustment for unearned commission income	32	(292)
Adjustment for deferred commission expense	66	165
	879	511

Movements in unearned commission income and deferred commission expense:

	Unearned commission income		Deferred commission expense	
	2022	2021	2022	2021
At 1 January	978	686	979	814
Net movement during the year	(32)	292	66	165
	946	978	1,045	979

28. NET INVESTMENT INCOME

	2022	2021
Interest income	1,504	1,178
Transfer from other comprehensive income on disposal of available-for-sale securities	2,157	1,344
Dividend income	813	726
Valuation (losses) / gains on trading securities	(183)	99
Net (losses) / gains on disposal of financial investments	(514)	213
Foreign exchange (losses) / gains	(16)	18
Accretion of discount on held-to-maturity securities	14	15
Investment administration expenses	(61)	(67)
Policyholders' share of investment income	86	(208)
Investment properties' income	237	314
Depreciation charges on investment properties	(167)	(169)
Other investment properties' expenses	(13)	(126)
	3,857	3,337

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29. IMPAIRMENT ON INVESTMENT

	2022	2021
Opening balance	**1,044**	821
Impairment losses for the year	**5,715**	326
Transfer to profit or loss on disposal of securities	**(10)**	(103)
	6,749	1,044

30. EXPENSES

a) General and administration expenses - underwriting	2022	2021
Employee costs	**2,506**	2,342
Depreciation and amortisation	**231**	224
Other costs	**1,874**	1,672
	4,611	4,238

b) General and administration expenses - non-underwriting	2022	2021
Employee costs	**1,801**	1,710
Depreciation and amortisation	**137**	131
Other costs	**577**	560
	2,515	2,401

31. SEGMENTAL INFORMATION

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

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

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

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

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

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

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

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31. SEGMENTAL INFORMATION (continued)

2022	Motor	Property & General	Medical	Life Assurance	Corporate	Consolidation adjustments	Total
Gross insurance premiums	**10,342**	**16,837**	**9,670**	**5,336**	**-**	**(221)**	**41,964**
Net premiums earned	**10,417**	**1,591**	**5,468**	**1,506**	**-**	**(143)**	**18,839**
Net claims incurred	(4,875)	(1,069)	(4,066)	(759)	-	86	(10,683)
Impairment on insurance receivables	(26)	(525)	(36)	-	-	-	(587)
General and administration expenses – underwriting	(2,501)	(1,093)	(810)	(376)	-	169	(4,611)
Net commission (expense) / income	(182)	1,226	7	(172)	-	-	879
Other underwriting income	66	205	5	3	-	-	279
Net underwriting results	**2,899**	**335**	**568**	**202**	**-**	**112**	**4,116**
Net investment income	1,294	1,294	291	977	389	(388)	3,857
Gains on reclassification of equity accounted investee to financial asset	-	-	-	-	5,872	-	5,872
Impairment losses on investment	(20)	(20)	(13)	(45)	(5,617)	-	(5,715)
Share of profit of equity accounted investees	-	-	-	-	427	715	1,142
Net income from road assist services	238	-	-	-	-	-	238
Corporate services fees	12	6	-	-	698	(716)	-
General and administration expenses - non-underwriting	(364)	(179)	(93)	(62)	(2,533)	716	(2,515)
Other income	-	-	-	-	8	-	8
Segment results	**4,059**	**1,436**	**753**	**1,072**	**(756)**	**439**	**7,003**

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31. SEGMENTAL INFORMATION (continued)

2021	Motor	Property & General	Medical	Life Assurance	Corporate	Consolidation adjustments	Total
Gross insurance premiums	10,886	16,114	8,805	4,271	-	(212)	39,864
Net premiums earned	10,843	1,178	4,893	1,202	-	(138)	17,978
Net claims incurred	(5,350)	(448)	(3,319)	(1,194)	-	78	(10,233)
Impairment on insurance receivables	(240)	(168)	(14)	(1)	-	-	(423)
General and administration expenses – underwriting	(2,360)	(983)	(737)	(332)	-	174	(4,238)
Net commission (expense) / income	(236)	882	(138)	3	-	-	511
Other underwriting income	-	542	-	2	-	-	544
Net underwriting results	2,657	1,003	685	(320)	-	114	4,139
Net investment income	1,238	1,238	233	780	387	(539)	3,337
Impairment losses on investment	(133)	(133)	(14)	(46)	-	-	(326)
Share of profit of equity accounted investees	-	-	-	-	1,046	439	1,485
Net income from road assist services	257	-	-	-	-	-	257
Corporate services fees	12	6	-	-	698	(716)	-
General and administration expenses - non-underwriting	(364)	(179)	(93)	(62)	(2,401)	698	(2,401)
Other income	-	-	-	-	188	-	188
Segment results	3,667	1,935	811	352	(82)	(4)	6,679

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.

2022	**Bahrain**	**GCC**	**Other Countries**	**Total**
Gross insurance premiums	**40,426**	**1,445**	**93**	**41,964**
Non-current assets	**31,688**	**15,387**	**11,260**	**58,335**

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

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31. SEGMENTAL INFORMATION (continued)

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

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

32. INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Risk management framework

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

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

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

b) Insurance Risk Management

The activity of the Group is to issue contracts of insurance to its personal and corporate clients. The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount payable under the insurance contract resulting from such occurrence referred to as the claim. By the very nature of an insurance contract, this risk is fortuitous, random and therefore unpredictable. The principal risks that the Group faces in writing a portfolio of insurance contracts are the frequency of occurrence of the insured events and the severity of resulting claims. The Group's risk profile is 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.

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

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

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

(ii) Reinsurance Policy

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

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

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

(iii) Terms and conditions of insurance contracts

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

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

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.

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

Type of contract	Terms and conditions	Key factors affecting future cash flows
Motor	Motor insurance contracts provide cover in respect of policyholder's private cars and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. Exposure to third party bodily injury is unlimited in accordance with statutory requirements	In general, claims lags are minor and claim complexity is relatively low. The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in adverse weather conditions. The number of claims is also connected with the economic activity, which affects the amount of traffic activity. The majority of bodily injury claims are decided based on the laws in force and court judgment and are settled within two – three years.
Medical	These contracts pay benefits for medical treatment and hospital expenses. The policyholder is indemnified for only part of the cost of medical treatment or benefits are fixed.	Claims under these contracts depend on both the incidence of policyholders becoming ill and the duration over which they remain ill. Claims are generally notified promptly and can be settled without delay. Premium revisions are responded reasonably quickly to adverse claims experience.
Term life	These contracts indemnify the life of the policyholder over a defined period.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group life	These contracts are type of life insurance in which a single contract covers an entire group of people. Typically, the policyholder is an employer or an entity and the policy covers the employees or members of the group. These contracts indemnify the life of the policyholder over a defined period.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group Credit life	These contracts are type of life insurance designed to pay off a borrower's debt if the borrower dies. The face value of a credit life insurance policy decreases proportionately with the outstanding loan amount as the loan is paid off over time, until both reach zero value.	Claims reporting lags are minor and claim complexity is relatively low. The exposure of the Company and amount of claim is limited to the policy value.
Group retirement plans	These contracts pay benefits based on employer terms and conditions in case of the death, disability or retirement of the participants. The policyholder is indemnified based on fixed pre-determined benefits considering period of membership, accumulated contributions, administration or surrender fees and bonus return, when applicable.	Surrenders and benefits under these contracts depend on both the life or determined disability of participants. Surrenders and benefits are generally notified promptly and can be settled without delay from the participants portfolio. Contributions are received on timely basis.

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

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

(iv) Risk exposure and concentration of insurance risk

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

2022 Geographical area	**General Insurance**	**Life Assurance**	**Total**
Bahrain			
Gross insurance premiums	35,090	5,336	**40,426**
Retained premiums	17,940	945	**18,885**
Other countries			
Gross insurance premiums	1,538	-	**1,538**
Retained premiums	185	-	**185**
Total			
Gross insurance premiums	36,628	5,336	**41,964**
Retained premiums	18,125	945	**19,070**

2021 Geographical area	General Insurance	Life Assurance	Total
Bahrain			
Gross insurance premiums	34,337	4,271	38,608
Retained premiums	17,371	945	18,316
Other countries			
Gross insurance premiums	1,256	-	1,256
Retained premiums	202	-	202
Total			
Gross insurance premiums	35,593	4,271	39,864
Retained premiums	17,573	945	18,518

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

c) Capital Management

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

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

The Group's objectives for managing capital are:

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

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

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

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

d) Financial and operational risk management

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

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

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

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

Management of credit risk

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

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

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

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

Overall exposure to credit risk

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

Financial assets	2022	2021
Receivables:		
- Policyholders	**6,202**	6,292
- Insurance and reinsurance companies	**5,364**	4,812
- Others	**2,495**	2,315
Financial investment securities:		
- Fair value through profit or loss - debt instruments	**1,884**	679
- Available-for-sale debt instruments	**23,255**	7,262
- Held to maturity securities	**2,796**	3,773
Cash equivalents with banks	**5,827**	4,956
Placements with banks	**14,401**	21,919
Statutory deposits	**133**	131
	62,357	52,139

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

Concentrations of credit risk

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

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32. INSURANCE CONTRACTS, FINANCIAL INSTRUMENTS AND RISK 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:

Financial assets	2022	2021
Debt instruments:		
Government of Bahrain	**17,373**	5,140
Bank balances and receivables:		
National Bank of Bahrain	**4,291**	2,887
Bank of Bahrain and Kuwait	**4,193**	196
Arab Bank	**4,087**	3,653
Mashreq Bank	**2,373**	1,458
Habib Bank Limited	**1,364**	3,062
Ahli United Bank	**1,180**	734
Kuwait Finance House	**858**	11,963
Salam Bank	**54**	2,106

Assets that are past due

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

Financial assets	Neither past due nor impaired	Past due but not impaired		Individually impaired		Total
2022	Less than 90 days	91– 180 days	More than 180 days	Gross Amount	Provision for impairment	
Receivables:						
- Policyholders	2,443	1,292	940	1,527	(1,527)	4,675
- Insurance and Reinsurance companies	1,933	976	693	1,762	(1,762)	3,602
- Others	1,928	-	347	220	(220)	2,275
	6,304	**2,268**	**1,980**	**3,509**	**(3,509)**	**10,552**

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

Financial assets	Neither past due nor impaired	Past due but not impaired		Individually impaired		Total
2022	Less than 90 days	91– 180 days	More than 180 days	Gross Amount	Provision for impairment	
Receivables:						
- Policyholders	1,969	1,017	1,526	1,780	(1,780)	4,512
- Insurance and Reinsurance companies	2,078	987	319	1,428	(1,428)	3,384
- Others	1,592	-	399	324	(324)	1,991
	5,639	2,004	2,244	3,532	(3,532)	9,887

(ii) Liquidity risk

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

Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Group does not normally resort to borrowings but, given its gearing, has the ability to raise funds from banks at short notice. The maturity profile of the Group's investments is set out in note 32.

Management of liquidity risk

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

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

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

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

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

Exposure to liquidity risk

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

2022		**Undiscounted contractual cash flows**			
Financial liabilities	**Carrying amount**	**Less than 1 year**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Policyholders' liabilities	**1,176**	**1,176**	**-**	**-**	**-**
Insurance/reinsurance companies	**7,404**	**7,404**	**-**	**-**	**-**
Other payables	**5,824**	**5,824**	**-**	**-**	**-**
Lease liability	**474**	**90**	**77**	**231**	**282**

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

(iii) Market risk

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

Management of market risks

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

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

Interest rate risk

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

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

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:

	2022 Aggregate principal	**2022 Effective rate**	2021 Aggregate principal	2021 Effective rate
Cash and deposits	**20,367**	**2.57%**	27,012	2.40%
Bonds and treasury bills	**27,935**	**3.21%**	11,714	5.35%

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.

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

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

Net currency-wise concentration

Financial Assets	2022	2021
Euros	**111**	689
Pounds sterling	**135**	466
Other currencies	**459**	868
Total open foreign exchange position at 31 December	**705**	2,023
United States dollars	**24,747**	28,802
GCC Currencies	**22,252**	15,447
Bahraini dinars	**49,434**	48,195
	97,138	94,467
This comprises of:		
Financial investments	**55,129**	37,743
Equity accounted investees	**11,090**	19,825
Cash and cash equivalents	**5,833**	4,962
Placements with banks	**14,401**	21,919
Statutory deposits	**133**	131
Receivables:		
Policyholders	**4,675**	4,512
Insurance and reinsurance companies	**3,602**	3,384
Others	**2,275**	1,991
	97,138	94,467

Financial Liabilities	2022	2021
Bahraini dinars	**13,600**	10,194
United States dollars	**979**	2,963
GCC Currencies	**260**	1,324
Euros	**12**	179
Pounds sterling	**15**	53
Other currencies	**12**	48
	14,878	14,761
This comprises of:		
Policyholders' liabilities	**1,176**	622
Insurance/reinsurance companies payables	**7,404**	8,199
Other payables	**6,298**	5,940
	14,878	14,761

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

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.

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.

	2022		2021	
Financial Assets and Liabilities	**Profit or loss**	**Equity**	**Profit or loss**	Equity
US Dollars	**42**	**238**	74	258
GCC currencies	**107**	**220**	97	141
Euro	**-**	**1**	-	5
Pounds Sterling	**-**	**1**	-	4
Other currencies	**-**	**4**	1	8

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

	2022		2021	
31 December	**Profit or loss**	**Equity**	**Profit or loss**	Equity
Interest rate risk				
+1 percent shift in yield curves	**106**	**1,121**	70	857
-1 percent shift in yield curves	**(106)**	**(1,121)**	(70)	(857)
Equity price risk				
+1 percent increases in equity prices	**1**	**191**	2	147
-1 percent decrease in equity prices	**(1)**	**(191)**	(2)	(147)

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

(iv) Operational risk

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

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

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

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

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

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

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.

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

Others:

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

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

33. MATURITY PROFILE OF INVESTMENTS

2022	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years / no maturity	Total
Equities	-	-	-	18,824	18,824
Government bonds and treasury bills	11,148	2,085	3,211	-	16,444
Corporate bonds	326	4,781	2,362	2,138	9,607
Managed funds	-	-	-	4,621	4,621
Unquoted equities & funds	-	-	-	3,050	3,050
Equity accounted investees	-	-	-	11,090	11,090
	11,474	6,866	5,573	39,723	63,636

This balance comprises of:

	2022
Available-for-sale securities	49,750
Held-to-maturity securities	2,796
Equity accounted investees	11,050
	63,636

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

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33. MATURITY PROFILE OF INVESTMENTS (continued)

This balance comprises of:

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

Managed funds not having a fixed maturity date are classified as maturing after ten years.

Securities carried at fair value through profit or loss are readily realisable and intended to be held for short term purposes. These are not included in the above maturity profile of investments.

34. GEOGRAPHICAL CONCENTRATION OF INVESTMENTS

	2022	2021
Bahrain	**37,968**	25,503
Other GCC countries	**16,003**	17,481
North America	**4,011**	6,057
Europe	**3,339**	3,924
China and India	**4,033**	3,541
Other global/multi-regional	**865**	1,062
	66,219	57,568

This comprises of:

	2022	2021
Securities carried at fair value through profit or loss	**2,583**	1,977
Available-for-sale securities	**49,750**	31,993
Held-to-maturity securities	**2,796**	3,773
Equity accounted investees	**11,090**	19,825
	66,219	57,568

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34. GEOGRAPHICAL CONCENTRATION OF INVESTMENTS (continued)

Investment income by segment

	2022	2021
Equities	**1,893**	1,806
Bonds	**872**	751
Managed funds	**418**	464
Bank balances and short-term deposits	**592**	572
Investment properties	**237**	314
Gross investment income	**4,012**	3,907
Investment administration expenses	**(61)**	(67)
Policyholders' share of net investment income	**86**	(208)
Depreciation charges on investment properties	**(167)**	(169)
Other investment properties' expenses	**(13)**	(126)
Net investment income	**3,857**	3,337

35. RELATED PARTIES

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

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

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

a) Related party balances

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**

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35. RELATED PARTIES (continued)

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

b) Transactions with related parties

2022	**Associates**	**Key management personnel**	**Companies under Directors control**	**Total**
Gross insurance premiums	**510**	**12**	**1,777**	**2,299**
Gross claims paid	**402**	**1**	**312**	**715**
Claims recoveries	**202**	**-**	**-**	**202**
Impairment losses on insurance receivables	**3**	**-**	**1**	**4**
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**

2021	Associates	Key management personnel	Companies under Directors control	Total
Gross insurance premiums	584	9	1,483	2,076
Gross claims paid	381	29	356	766
Claims recoveries	118	-	-	118
Commission and fee expenses	5	-	-	5
Retirement and saving plan contributions received	88	-	6	94
Retirement and saving plan benefits paid	57	-	-	57
General and administration expenses	145	1,004	260	1,409
Dividend received	651	-	-	651
Purchase of equipment	-	-	2	2
Loan paid	75	-	-	75

Notes to the Consolidated Financial Statements

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35. RELATED PARTIES (continued)

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:

	2022	2021
Salaries and allowances	863	734
Other benefits	93	83
Board remuneration and attendance fees paid	236	177

36. FAIR VALUE MEASUREMENT

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

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

2022	Fair value through the statement of profit or loss	Available-for-sale	Held-to-maturity	Loans and receivables	Financial liability	Total carrying value	Fair value
Cash and cash equivalents	-	-	-	5,833	-	5,833	5,833
Placements with banks	-	-	-	14,401	-	14,401	14,401
Insurance receivables and other assets	-	-	-	10,552	-	10,552	10,552
Financial investments	2,583	49,750	2,796	-	-	55,129	55,034
Total financial assets	**2,583**	**49,750**	**2,796**	**30,786**	**-**	**85,915**	**85,820**
Insurance payables	-	-	-	-	8,580	8,580	8,580
Other liabilities	-	-	-	-	6,298	6,298	6,298
Total financial liabilities	**-**	**-**	**-**	**-**	**14,878**	**14,878**	**14,878**

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36. FAIR VALUE MEASUREMENT (continued)

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

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.

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36. 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.

2022	Level 1	Level 2	Level 3	Total	Carrying Value
Available-for-sale investments	**42,045**	**7,635**	**70**	**49,750**	**49,750**
Securities carried at fair value through profit or loss	**2,248**	**335**	**-**	**2,583**	**2,583**
	44,293	**7,970**	**70**	**52,333**	**52,333**

2021	Level 1	Level 2	Level 3	Total	Carrying Value
Available-for-sale investments	22,575	9,300	118	31,993	31,993
Securities carried at fair value through profit or loss	1,516	461	-	1,977	1,977
	24,091	9,761	118	33,970	33,970

- **Transfers from level 1 to 2**

  As at 31 December 2022, a number of investment securities with carrying value of BD 511 thousand (2021: 5,571 thousand) were transferred from Level 1 to Level 2 of the fair value hierarchy. This is due to the market conditions, where quoted prices for such investment securities were no quoted price or no adequate trading volumes for these securities at or closer to the measurement/reporting date. However, there was sufficient information available to measure fair value of these securities based on observable market inputs.

- **Transfers from level 2 to 1**

  As at 31 December 2022, a number of investment securities with carrying value of BD 2,351 thousand (2021: BD 7,176 thousand) were transferred from Level 2 to Level 1 of the fair value hierarchy, because the quoted prices in an active market for these investment securities became available.

- **Transfers between levels 2 and 3**

  As at 31 December 2022, an investment security with carrying value of nil (2021: BD 88 thousand) was transferred from Level 2 to Level 3 of the fair value hierarchy because of inputs used in measuring the fair value of this investment became unobservable.

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

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36. FAIR VALUE MEASUREMENT (continued)

The carrying amount of the Group's held-to-maturity investments equals BD 2,796 thousand (2021: BD 3,773 thousand) whereas the fair value of the investments is BD 2,701 thousand (2021: BD 3,935 thousand).

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

37. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2022, the Group has commitments to make investments amounting to BD 276 thousand (2021: BD 280 thousand).

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

38. RECONCILIATION OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022	2021
Balance at 1 January	**510**	556
Cash flows from financing cash flows		
Payment of lease liabilities	**(96)**	(81)
Other changes		
New leases	**26**	-
Interest expense	**34**	35
	60	35
Balance at 31 December	**474**	510

39. SIGNIFICANT EVENTS

(i) COVID-19

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

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39. SIGNIFICANT EVENTS (continued)

(ii) OTHER SIGNIFICANT MATTERS

The current ongoing conflict between Russia-Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

The management has carried out an assessment of its portfolio and has concluded that it does not have any direct exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage, it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any. As at 31 December 2022, the Group does not have a material impact of this conflict.

The Board of Directors has considered the potential impacts of the current economic downturn and uncertainty involved in the determination of the reported amounts of the Group's financial and non-financial assets and liabilities in this consolidated financial statements, and they are considered to represent management's best assessment based on available and observable information. Based on this assessment, no material impact on the Group's consolidated financial statements have been noted to date.

40. COMPARATIVE

Certain corresponding figures of 2021 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.

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